

CHAPTER 3**RECEIVABLES****★0301 GENERAL**

The purpose of this chapter is to issue policy for the recording and reporting of public and federal (hereafter, referred to as intragovernmental) accounts receivable. The aggressive and efficient management of receivables in the Department of Defense (DoD) is an important element of DoD stewardship over public funds and cash management. The Statement of Federal Financial Accounting Standards (SFFAS) No. 1 requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. Further, SFFAS No. 1 requires that receivables from federal entities, i.e., intragovernmental receivables, be reported separately from receivables from public entities.

A basic tenet of accounting is the establishment of accounting control over all receivables. Receivables shall be recorded when recognized or earned, and collected when due. This chapter establishes general policies for the control of accounts receivable. Additionally, this chapter, separately, addresses the recording and eventual write-off and close-out of public receivables and the recording and close-out of intragovernmental receivables. Public and intragovernmental receivables are addressed separately because of differing legal requirements, particularly, in regard to the collection of debt. Annexes to this chapter address procedures for the routine aging of all amounts overdue, formulation of the “Accounts Receivable Report Due from the Public” (“Receivables Report”), and general ledger entries for the recording and close-out of reimbursable receivables.

★0302 EFFECTIVE DATES

030201. Receivables shall be reviewed for supportability and validity. Such reviews shall be conducted in accordance with section 0804, “Triannual Reviews of Commitments and Obligations,” Chapter 8, Volume 3, of this Regulation. A complete review of all public and intragovernmental receivables shall be completed by April 30, 2002. If a receivable is found unsupported, i.e., not valid (as described in section 0306 of this chapter), such receivables shall be closed-out and removed from the accounting records by June 30, 2002.

030202. Receivables determined to be supportable and valid, and are at least two years old as of April 30, 2002, shall be collected written-off, or closed-out no later than September 30, 2002, in accordance with sections 0305, 0308 and 0309 of this chapter.

030203. Receivables determined to be supportable and valid, and are under two years old as of April 30, 2002, shall be collected, written-off, or closed-out upon completion of due research and debt collection procedures, in accordance with sections 0305, 0308 and 0309 of this chapter, but no later than September 30, 2002 or two years after the established due date, whichever is later.

030204. Receivables established after April 30, 2002, shall be collected, written-off or closed-out upon completion of due research and debt collection procedures, in accordance with sections 0305, 0308, and 0309 of this chapter, but no later than two years after the established due date.

030205. Exempt from paragraphs 030202, 030203, and 030204, above, are public receivables under review by the Department of the Justice, and debt in the process of being collected as required by the Federal Acquisition Regulation, Part 32.6, "Contract Debt" and debt collection policy referenced in paragraph 0305 of this chapter. However, such exempt debt shall be aggressively managed and monitored for status of collection by the responsible accounting office.

★0303 RECEIVABLES POLICY

030301. General. Receivables include, but are not limited to, monies due for indebtedness. Examples of indebtedness to the DoD include overdue travel advances, dishonored checks, sale of goods and services, fines, penalties, interest, overpayment, fees, rent, claims, damages, and any other event resulting in a determination that a debt is owed to the DoD. If the exact amount is unknown, a reasonable estimate shall be made. In accordance with section 0405, Chapter 4, Volume 11A of this Regulation, an advance payment is required for the sale of goods and services. If an advance is not received, a receivable is recorded upon the sale or performance of work.

A. Prompt Recording. Receivables shall be recorded in the accounting month earned from the sale of goods and services, or in which a debt is recognized. Accounting records for receivables shall be maintained so that all transactions affecting the receivables are included in the reporting period of occurrence. There shall be immediate recording of events not previously recorded due to error or oversight; due dates for such items shall be established in the first notification to the debtor. Prompt recording of receivables ensures the timely and reliable financial status of all amounts due to the DoD.

B. Prompt Collection. The collection of receivables shall be aggressively pursued for amounts due from DoD Components, federal agencies and the public. The due date for a receivable is normally 30 days from the date of invoice or notice of payment due, unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions shall be initiated when payment becomes due. Collection actions include issuance of demand letters, aging of accounts receivable, and referral to debt collection entities (i.e., the Defense Finance and Accounting Service, Denver (DFAS-DE) for individual out of service debt, DFAS Columbus (DFAS-CO) for vendor debt, or the Department of the Treasury). Funds shall be collected in the appropriation that earned the funds, unless otherwise specified by law.

C. Payment Application. Payments received from the debtor are required to be applied first to penalty and administrative cost charged, second to interest receivable, and third to outstanding debt principal, per Federal Claims Collection Standards, Title 4, Code of Federal Regulations (CFR) 102.13(f).

030302. Organizational Responsibilities. Several work sections may be responsible for the recording, managing, and reporting of reimbursable work, and the recording, managing and reporting of public and intragovernmental accounts receivable. Those work sections shall coordinate their activities to ensure that accounts receivable are recorded, aged, collected, written-off, or closed-out as required in this chapter.

030303. Feeder Systems. Processes or systems that establish debt to the DoD shall ensure that an accounting office is advised that a receivable is to be established in the applicable accounting system. Feeder systems, such as pay, cost, debt and entitlement systems, shall provide debt transactions, collection transactions and notice of discontinuance of collection efforts to the applicable accounting office in the accounting month the debt was incurred, collected or terminated.

030304. General Ledger Accounting. Information on receivables shall be developed, maintained, and reported using the United States Government Standard General Ledger (USSGL) accounts depicted in Chapter 7, Volume 1 of this Regulation. The accounts receivable general ledger account (i.e., the first four digits of the general ledger account) shall conform to the USSGL chart of accounts.

030305. Internal Controls. The basic standards for internal controls prescribed in DoD Directive 5010.38, "Management Control (MC) Program," shall be adhered to in establishing and collecting receivables.

A. Major categories of receivables shall be maintained to facilitate clear and full disclosure of accounts receivable; for example, disclose the debtor, the amount, the age, and the type of debt. Monthly, subsidiary records shall be reconciled to the control accounts.

B. Proper internal controls require the separation of duties; for example, a technician responsible for creating cash or check due transactions cannot also be responsible for collecting cash or checks.

C. An accounts receivable shall be routinely reviewed for completeness, accuracy, and supportability in accordance with paragraph 0804 of Chapter 8, "Standards for Recording Commitments and Obligations," Volume 3, of this Regulation. Accounts receivable reviews involve research by both the ordering and performing entities, as depicted below.

1. The ordering entity (customer) shall:

a. Obtain the accounts payable transaction history. Review obligations and accrued expenditures recorded and determine whether the accruals are supported with a reimbursable agreement or a document evidencing a payment is due. Request copies of reimbursable agreements not obligated and recorded. Ensure that obligations were recorded for the correct amount.

b. Obtain the billing transaction history from the accounts receivable office. (Billing transaction histories shall be provided within 30 days.) Ensure that

billings are against the correct order and, consequently, billed against the correct obligation. Request copies of documents supporting that a payment is due.

(1) If the billing is not supported with a copy of the order or contract and evidence of performance within 30 days of request, reject the bill to the billing office, with a clear explanation for the reject. (Transportation bills that cannot be matched to an accounts payable transaction, however, shall be charged against an alternate line of accounting. Bills charged against an alternate line of accounting shall be researched and charged to the proper line of accounting upon completion of research.)

(2) If the bill is supported, but the order or obligation is not recorded in the accounting database, record an order/obligation within the timeframes specified in Chapter 8, Volume 3 of this Regulation.

c. Research unmatched disbursements and negative unliquidated obligations, as required by paragraph 110703, Chapter 11, Volume 3 of this Regulation.

2. The performing entity (billing office) shall:

a. Review unearned and earned orders and determine that recorded orders are supported with an order or a contract.

b. Upon receiving a request for supporting documentation, provide a copy of an agreement or contract or proof of performance or delivery within 30 days of request.

c. When a bill is disputed or rejected, review supporting files promptly. If the rejection is for valid cause (the receivable is unsupportable, duplicate or over-billed), initiate a correction or reversal of accounting entries as depicted in paragraph G of Annex 3. Record corrective action within the current accounting cycle.

d. Research any abnormal unfilled customer order; such balances indicate that an order is not recorded. Research any abnormal filled customer orders uncollected; such balances indicate that collections have been incorrectly recorded.

030306. Revenue Recognition. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when a DoD entity provides goods and services to the public or to another United States (U.S.) Government entity for a price. Another term for “exchange revenue” is “earned revenue.” Nonexchange revenues arise primarily from exercise of the U.S. Government’s power to demand payments from the public, such as taxes, duties, fines and penalties. When cash is not received at the time revenue is recognized, a receivable shall be established.

030307. Nonappropriated Fund Instrumentalities. Receivables from nonappropriated fund instrumentalities (NAFIs) shall be recorded as transactions with the public. They shall be included in the “Report on Receivables Due From the Public” (“Receivables Report”).

030308. Foreign Military Sales. Receivables from the Foreign Military Sales (FMS) Trust Fund (appropriation 11X8242) shall be recorded as transactions with the public and they shall be included in the “Receivables Report.” Other FMS receivables, for example, the Foreign Military Financing Program, Grants, and Funds Appropriated to the President (11*1082) shall be recorded and reported as intragovernmental transactions.

030309. Foreign Currency Receivables. Gains or losses resulting from foreign currency receivables shall be recorded in the “Other Gains or Losses” account for the period when settlement occurs. This requirement does not supersede the accounting requirement concerning gains or losses in foreign currency transactions as set forth in 31 USC 3342.

030310. Anti-deficiency Violations. No guidance in this chapter shall be construed as authorizing a delay in (1) writing-off or closing-out uncollectible or unsupportable accounts receivable, even when such write-off or close-out has the effect of causing an overobligation, or (2) the requirement to conduct an investigation of a potential violation of the Antideficiency Act, in accordance with Volume 14 of this Regulation.

★0304 DEFINITIONS

030401. Current Receivables. Current accounts receivable are receivables that will become due during the next 12 months following the end of the reporting period. The receivable shall be recorded when the revenue is earned or recognized.

030402. Delinquent Receivables. Delinquent accounts receivable are receivables that remain unpaid for more than 30 days from the date of the billing (initial demand for payment), unless terms of the contract or agreement provide otherwise. Delinquent receivables become delinquent when not paid by the due date or the day notification of debt was mailed depending on the contract or agreement, i.e., date of delinquency. If a “grace” period expires without payment, then the receivable becomes delinquent from the original payment due date or date of notification. When the repayment agreement allows the activity to declare the full amount of the account due, and the activity has done so, then the entire amount of the account or loan and related interest and penalties are reported as delinquent.

030403. Entity Receivables. Entity receivables are amounts that a federal entity claims for payment from other federal or nonfederal entities and that the federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection.

030404. Interest Receivable. Interest is accrued when an amount due is not received by the established due date. An interest receivable shall be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable shall be

recorded as it is earned on investments in interest-bearing securities. Interest also shall be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in 31 USC 3717, Interest and Penalty Claims. No interest should be recognized on accounts receivable on investments that are determined to be uncollectible unless the interest is actually collected. However, until the interest payment requirement is officially waived by the government entity or the related debt is written off, interest accrued on uncollectible accounts receivable shall be disclosed.

030405. Intragovernmental Receivables. Intragovernmental receivables are claims of a federal entity against other federal entities. Intragovernmental receivables shall be promptly aged and collected. No allowance for uncollectible accounts shall be recorded for intragovernmental receivables.

030406. Noncurrent Receivables. Noncurrent accounts receivable are receivables that will not become due within 12 months following the end of the reporting period.

030407. Nondelinquent Receivables. Nondelinquent accounts receivable are receivables outstanding for 30 days or less, or within the prescribed due date established in the contract agreement or billing document and up to the next 12 monthly payments to be made on rescheduled debts. Also included are amounts outstanding in excess of this time frame that are not overdue according to contract or agreement terms. Debts being liquidated by installment payments are not to be considered as delinquent, unless an installment is missed.

030408. Nonentity Receivables. Nonentity receivables are amounts that the DoD collects on behalf of the U.S. Government or other entities, but the DoD is not authorized to spend and, consequently, are reported separately from receivables available to the DoD. Nonentity receivables include governmental receipts and collections arising from the sovereign and regulatory powers unique to the federal government, e.g., income tax receipts, customs duties, court fines, certain license fees, etc. The DoD may be responsible for collecting these receipts on behalf of the U.S. Government, but is not authorized to use the monies collected to offset its expenditures.

030409. Nonfederal Receivables. Nonfederal receivables are claims of the DoD or an entity within the federal government against nonfederal entities. The term “nonfederal entities” encompasses public entities, domestic and foreign persons and organizations outside the U.S. Government. Nonfederal receivables are also called public receivables. Public receivables shall be promptly aged and collected. An allowance for uncollectible accounts shall be estimated and recorded.

030410. Reimbursements. Reimbursements are created by intragovernmental transactions and are amounts earned and collected for materiel sold or services furnished. Materiel sold or services furnished shall be authorized and documented in a support agreement between the provider and ordering entity. The cost of the materiel or services is first borne by the activity providing the materiel or performing the services (performer). The activity receiving the

materiel or services (ordering entity or customer) reimburses the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

030411. Rescheduled Receivables. Rescheduled receivables are receivables and advances that have been subject to rescheduling, forbearance, deferment, re-amortization, or any other form of extending the future of the original payment(s) or payment due dates.

★0305 DEBT COLLECTION POLICIES

This chapter addresses the recordation, collection, write-off and close-out of accounts receivable. The DoD policies for credit management and debt collection programs are delineated in various volumes of this Regulation, and receivables policy in this chapter does not intend to override such debt collection policy. The management of overdue accounts receivable by the DFAS-DE, DFAS-CO, Department of the Treasury or the Department of Justice are addressed in the following volumes:

030501. Policies and procedures for collection of debt from individuals are in Chapters 28 through 32, Volume 5 of this Regulation.

030502. Policies and procedures for loss of fund cases are in Chapter 6, Volume 5, of this Regulation.

030503. Policies and procedures for salary offset to collect debts owed the federal government by military members or civilian employees are in Volumes 7A, 7B, 7C and 8, of this Regulation. Volumes 7A, 7B, 7C and 8 of this Regulation also address collection of child support, alimony, or commercial debts from the pay of military members or civilian employees through garnishment or involuntary offset.

030504. Policies and procedures for collection of commercial or contractor debt are in Volume 10 of this Regulation. Additionally, the Federal Acquisition Regulation, Part 32.6, “Contract Debt,” prescribes policies and procedures for ascertaining and collecting contract debts, charging interest on the debts, deferring collections, and compromising and terminating certain debts.

030505. Policies for collection of debts from foreign countries are in Chapter 12, Volume 6, of this Regulation.

★0306 CLOSE-OUT OF ERRONEOUS, INVALID OR UNSUBTANTIATED ACCOUNTS RECEIVABLE

030601. Supporting Documentation for Accounts Receivable. Receivables shall be routinely reviewed for completeness, accuracy, and supportability in accordance with paragraph 0804 of Chapter 8, “Standards for Recording Commitments and Obligations,” Volume 3, of this Regulation.

A. Receivables shall be supported with an order or contract (authorizing sale or performance of service), evidence of performance or provision of goods, and evidence of billing, and, in the case of refunds receivable, evidence of overpayment.

B. Receivables that are invalid, erroneous, or unsupportable shall be closed-out. In these cases, the debt should be treated as if it was never owed and should not be classified as accounts receivable. See paragraph G of Annex 3 for a depiction of the general ledger entries made for accounts receivable close-out.

030602. Debt That is Erroneous or Without Merit. Issues that should be addressed in response to this criteria include, but are not limited to, the following:

A. Was a valid reimbursable order received that constituted, or appeared to constitute, an obligation to pay by the ordering entity?

B. Was the amount billed in excess of the amount authorized by the reimbursable order?

C. If a valid reimbursable order was not received, was there sufficient reason (public law, emergency or other imminent situation) to provide the goods or services in absence of an order?

030603. Debt That Cannot be Substantiated by Evidence. In these cases, the billing agency does not have or cannot produce the support necessary to establish a claim and has not been able to obtain the repayment of the debt. Issues that should be addressed in response to this criteria include, but are not limited to, the following:

A. Does the customer acknowledge receipt of the goods or service?

B. Is there an acceptable explanation of non-payment by the customer?

C. Is there sufficient auditable detailed documentary evidence to support the debt?

D. Is there sufficient data available to reconstruct the required documentation to substantiate the debt?

030604. Documentation shall be retained so that a discontinuance of collection action can be reinstated if new evidence or other pertinent data or circumstances warrant.

030605. Department of Justice review is required for all delinquent public debt over \$100,000. However, if a debt is plainly erroneous or without merit, the DoD shall terminate collection action without first obtaining Department of Justice concurrence.

★0307 CANCELLED APPROPRIATIONS

An accounts receivable office shall retain all outstanding receivables in the residual records even though an appropriation cancels. Appropriation cancellation does not relieve the DoD of the responsibility to pursue collections or recovery. Collections received after an appropriation cancels shall be deposited in the Department of the Treasury's Miscellaneous Receipt Account 3200. Delinquent receivables determined to be uncollectible at the local level or not cost effective to pursue shall be referred to the appropriate collection entity, written off, or closed-out in accordance with guidance delineated in sections 0305, 0308 or 0309 of this chapter.

★0308 PUBLIC RECEIVABLES

Receivables due from the public are claims of the DoD, or an entity within the federal government against nonfederal entities, to include public entities, domestic and foreign persons and organizations outside the U.S. Government. Public receivables are created from the sales of goods or services when an advance is not first received or from refunds due the DoD.

030801. Management of Receivables from the Sale of Goods and Services to the Public. Upon the sale of goods or services and establishment of amount due:

A. The responsible office shall submit the documentation of a public debt due to the accounts receivable office. The accounts receivable office shall record a receivable in the accounting system. (The accounts receivable office shall research abnormal balances resulting from such postings in accordance with paragraph 030305.C of this chapter.)

B. The accounts receivable office shall submit demand letters for delinquent accounts receivable. See paragraph 030803, below, for specific procedures.

C. The accounts receivable office shall submit delinquent accounts receivable for further collection action as required by debt collection policy referenced in section 0305 of this chapter.

D. Upon receipt of a collection voucher, the accounts receivable office shall record the collection voucher in the accounting system and report the collection to the Department of the Treasury. (If an abnormal balance results consequent to recording the collection, the accounts receivable office shall research such abnormal balance in accordance with paragraph 030305.C of this chapter.)

E. The accounts receivable office shall report public receivables in accordance with Annex 2 of this chapter.

030802. Management of Refund Receivables. Refund receivables are funds due the DoD. There is not a separate account for refunds receivable in the USSGL. Refund receivables are treated as accounts receivable.

A. Examples of refunds are:

1. Salary overpayments.
2. Overpayments to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default.
3. Amounts due for items rejected or returned.
4. Amounts of recovery due on payments for contractual services, such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments made for the unused portion.

B. Entitlement offices, payroll officers, legal offices, acquisition offices, or any entity that determines that a refund is due the DoD shall notify the accounts receivable office that an accounts receivable is to be recorded in the accounting system; such notification shall be made in the same accounting cycle the debt is recognized.

C. The accounts receivable office (or responsible office) shall:

1. Submit demand letters for delinquent accounts receivable. See paragraph 030803, below, for specific procedures.
2. Submit delinquent accounts receivable for further collections action as required by debt collection policy referenced in section 0305 of this chapter.
3. Upon receipt of a collection voucher, ensure that the collection voucher is recorded in the accounting system and reported to the Department of the Treasury. (If an abnormal balance results consequent to recording the collection, research such abnormal balance in accordance with paragraph 030305.C of this chapter.)

030803. Demand for Payment. Accounts receivable shall be aged. Aging allows for the management of collection actions.

A. The due date for a receivable is normally 30 days from the date of invoice or notice of payment due, unless a specific due date is established by statute, contract provision, or notice of indebtedness. The initial demand for payment shall include a complete explanation of the debtor's rights, responsibilities and additional charges, which may be levied.

B. The accounts receivable office (or other responsible office) shall send demand letters 30 days and 60 days after the payment due date. The accounts receivable office (or other responsible office) shall keep administrative logs documenting demand letters sent, and responses received. Demand letter shall be reinforced with telephone calls, facsimiles, regular mail or certified letters used to notify the individual, business, or agency of the payment due.

C. Individual out of service debt over \$225 shall be transferred to the DFAS-DE for servicing when the individual leaves service in accordance with collection policy referenced in paragraph 0305 of this chapter.

D. Delinquent vendor debt \$600 and over shall be submitted to the DFAS-CO for servicing no later than 90 days after the payment due date, in accordance with collection policy referenced in paragraph 0305 of this chapter.

E. The Debt Collection Improvement Act (DCIA) of 1996 required that public receivables over 180 days old shall be transferred to the Department of the Treasury by the DFAS-DE or DFAS-CO for further collection action.

F. Exceptions to the requirement to transfer debt to the Department of Treasury is debt or claim that a) is in litigation or foreclosure; (b) will be disposed of under an asset sales program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program; (c) has been referred to a private collection contractor for collection for a period of time determined by the Secretary of the Treasury, and; (d) will be collected under internal offset, if such offset is sufficient to collect the claim with 3 years after the date the debt or claim is first delinquent. This requirement is further addressed in debt policy referenced in paragraph 0305 of this chapter.

G. Debts due from the public that are \$100,000 or more shall be referred to the Department of Justice for concurrence to terminate collection action.

030804. Establishment of Doubtful Accounts. The accounts receivable office shall establish an allowance for doubtful debt, which shall provide for reducing gross receivables by the amount of the estimated loss to its net realizable value.

A. The SFFAS No. 1 states that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase “more likely than not” means more than a 50 percent chance of loss occurrence.

B. The allowance for uncollectible amounts shall be reestimated on each annual financial reporting date when information indicates that the latest estimate is no longer correct. Annex 1 of this chapter delineates methodology for aging accounts receivable and establishing allowances for doubtful accounts. Paragraph 0313 of this chapter references guidance on the general ledger entries used to establish a doubtful allowance account.

030805. Write-off and Close-out of Public Accounts Receivable.

A. General provisions for the collection, write-off and close-out of public accounts receivable are established in Office of Management and Budget (OMB) Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

1. Generally, write-off is mandatory for public delinquent debt that has not been collected within two years.

a. Once the debt is written-off, the accounting office must either classify the debt in a new reporting category entitled “currently not collectible” (CNC) or close-out the debt. Debts in CNC status are reported on the Receivables Report (depicted in Annex 2), and these debts are eligible for both offset and cross-servicing.

b. Public debt shall be classified as CNC only if (1) the vendor debt is over \$600 or the individual out of service debt is over \$225 (2) all debt collection actions, referenced in paragraph 0305 of this chapter, have been pursued, (3) it is cost effective to continue collection efforts, and (4) the debt is less than two years old, unless exempted by paragraph 030205 of this chapter.

c. Accounting offices shall continuously review CNC debt and, as required, reclassify CNC debt to closed-out debt.

2. The Treasury Financial Management supplement entitled, “Managing Government Credit,” states that an agency shall consider a debt uncollectible, terminate collection action, and close-out the debt when one or more of the following five criteria apply:

a. The debt is erroneous or otherwise without merit;

b. The debt cannot be substantiated;

c. The costs of further collection action will probably exceed the amount that could be recovered;

d. The accounts receivable office is unable to locate the debtor and finds that either (1) there is no security to be liquidated to recover the amount owed, or (2) the statute of limitations has expired and the chances of recovering the debt do not justify retaining the debt as a receivable; and,

e. The accounts receivable office is unable to collect any substantial amount.

3. Close-out of accounts receivable shall be accomplished no later than two years after the payment due date. Additionally, closed-out debt shall be reported to the Internal Revenue Service in accordance with paragraph 030806 of this chapter.

C. Public vendor debt \$600 or less and individual out of service debt \$225 or less shall be collected or closed-out by the accounts receivable office; in other words, this debt shall not be referred for further collection action unless mandated by public law.

1. The demand letters issued at 30 days and 60 days, and research documentation accumulated, shall support the requirement to close-out uncollectible public debt.

2. No later than 90 days after the established due date, the accounts receivable office shall forward to the accounting office all research documentation and demand letters sent to the customer. When received, the accounting office shall immediately provide the documentation to the fund holder for concurrence, or nonconcurrence for close-out.

3. The fund holder shall respond within 60 days of request for close-out. Nonresponses shall be determined to be concurrences.

4. If nonconcurring, the performing fund holder shall provide the accounting office additional written evidence to enable the collection of the debt. The accounting office shall only make one additional attempt to collect (i.e., issue one additional demand letter).

5. If payment is not received after following procedures 1 through 4, above, delinquent accounts receivable shall be obligated (if not already obligated) by the appropriation that created the receivable. The accounting office shall:

a. Write-off of delinquent debt may not be cost beneficial due to the low dollar thresholds involved. Accordingly, close-out delinquent accounts receivable no later than 2 years after the payment due date.

b. Use the general ledger entries for accounts receivable close-out depicted in paragraph G of Annex 3. (Paragraph G also is applicable to public receivables close-out.)

D. Public debt over \$600 due from vendors or the sales of goods and services shall be referred to the DFAS-CO and individual out of service debt over \$225 shall be referred to the DFAS-DE for further collection actions. For vendor debt, refer the debt no later than 90 days of the payment due date. For individual out of service debt, refer the debt as soon as the civilian or military leaves service. The accounts receivable office (or responsible office) shall submit vendor debt to DFAS-CO and individual out of service debt to DFAS-DE, as required by debt collection policy referenced in section 0305.

1. The DFAS-CO and the DFAS-DE shall submit public debt to the Department of the Treasury no later than 180 days after the payment due date, unless exempted by statute or law.

2. The Department of the Treasury, after due process, shall return uncollected public receivables to the DFAS-CO or DFAS-DE, i.e., after approximately 400 days.

3. The DFAS-CO and DFAS-DE shall notify the accounts receivable office to write-off an uncollected delinquent receivable that is under \$100,000, was not transferred to the Department of Justice, and is under 2 years old; if the receivable is over 2 years old, the

accounting office shall close-out the debt. (The DFAS-DE is the accounts receivable office for the debt it manages.)

4. The accounts receivable office shall provide the accounting office with notification to write-off the receivable and shall provide the history of all research and debt collection efforts. The accounting office shall write-off (or close-out) the delinquent accounts receivable and shall provide the performing fund holder with the history of all research and debt collection efforts (to include DFAS-CO or DFAS-DE and the Department of Treasury's research and efforts). Delinquent accounts receivable shall be obligated (if not already obligated) by the appropriation that created the receivable. The accounts receivable office shall:

a. Write-off debt under 2 years old. General ledger transactions for write-off of public debt are delineated in the Treasury Financial Manual referenced in paragraph 031301 of this chapter.

b. Close-out delinquent accounts receivable no later than 2 years after the payment due date. Use the general ledger entries for accounts receivable close-out depicted in paragraph G of Annex 3. (Paragraph G also is applicable to public receivables close-out.)

5. Public debt \$100,000 or greater that is not collected by the Department of the Treasury shall be submitted to the Department of the Justice by the DFAS-CO and the DFAS-DE. The DFAS-CO and the DFAS-DE also shall notify the accounting offices that the debts were submitted to the Department of Justice for review. The accounting office shall follow up on actions taken by the Department of the Justice, and status of delinquent debt.

030806. Reporting Close-out of Vendor and Individual Debt to the Internal Revenue Service (IRS). Section V, paragraph 5, of the OMB Circular A-129, requires that income from the discharge of indebtedness is to be included in the gross income of a taxpayer and shall be reported on an IRS Form 1099-G, "Statement for Recipients of Certain Government Payment." The following criterion applies for reporting a debt to the Internal Revenue Service (IRS).

A. The amount of the defaulted obligation not in dispute accrues to a total of \$600 or more for a calendar year.

B. The obligation is not discharged in a Title II bankruptcy case.

C. The applicable federal statute for enforcing collection of the obligation expired during the tax year, or some form of formal compromise agreement is reached during the year, or some form of formal compromise agreement is reached during the year in which the debtor is discharged legally of all or a portion of the obligation (in this case the portion discharged, less interest, is reportable).

★0309. INTRAGOVERNMENTAL RECEIVABLES

030901. General. Receivables due from DoD Components or other federal entities are intragovernmental receivables, and should be reported separately from receivables due from public entities. As a rule, a federal entity should not provide goods or services to another federal entity without receipt of a reimbursable order unless such provision is the mission of the providing entity and it is funded to do so. However, instances do arise when goods or services must be furnished to a federal entity prior to receipt of a reimbursable order. Most such occurrences are the result of a public law which direct such action, or an emergency or other imminent situation for which time or circumstances do not permit normal funding arrangements.

030902. Accounting for Reimbursable Work. The performer's accounts receivable office (or responsible office) shall:

A. Receive a document requesting service; this document represents the customer order. The order is verified to an agreement, for example, a Department of Defense (DD) Form 448, "Military Interdepartmental Purchase Request (MIPR)." The order is recorded as an unfilled customer order.

B. Reverse the unfilled customer order and record a filled customer order uncollected upon receiving documentation showing that services were provided. The responsible technician shall submit a bill to the customer and records a receivable. If an abnormal balance results consequent to reversing the unfilled customer order, research the abnormal balance in accordance with paragraph 030305.C of this chapter.

C. Reverse the filled customer order uncollected and record a filled customer order collected upon receipt of a collection voucher. If an abnormal balance results consequent to reversing the filled customer order uncollected, research such abnormal balance in accordance with paragraph 030305.C of this chapter.

D. Ensure that collection vouchers are recorded in the accounting system and reported to the Department of the Treasury in the accounting month the collection was received.

030903. Basis for Proper Billings.

A. Generally, Economy Act Orders, Project Orders, Military Interdepartmental Purchase Request (MIPRs) or Memorandums of Agreement for items or services not offered at an established supply source are the authority to perform reimbursable work. Orders or request that are from DoD agencies shall be obligated upon acceptance of the order or request. Orders or requests that are from non-DoD federal agencies shall provide advance funding, as delineated in paragraph 0405, Chapter 4, Volume 11A of this Regulation. The performer's bills shall be offset against an advance and, upon final billing, any excess advance shall be refunded immediately.

B. Costs billed for emergency work or similar circumstances benefiting another agency shall be billed on the basis of a citation of law or other authority that requires or authorizes cost sharing on a determined liability basis or on the basis of preestablished proportions.

C. Excess costs shall not be billed without the agreement of the ordering entity (customer).

D. In accordance with 31 USC 3701(c) and 4 CFR 101.3(c), the performer shall not add to or enhance the original billing for any interest, penalty, or administrative cost.

E. Additional policies and procedures regarding interagency transactions, reimbursable orders, agreements, and billing requirements are in paragraph 150204, Chapter 15 of Volume 3, and Volumes 11A and 11B of this Regulation.

030904. Billing Procedures. Accounts receivable shall be aged. Aging allows for the management of collection actions.

A. Billings arising from transactions within the DoD and with other federal departments and agencies shall be recorded as accounts receivable in the accounting month earned.

B. If systems permit, bills arising from transactions within the DoD or other federal departments or agencies shall be collected through automated or regularly established self-collection methods, such as, the Military Standard Billing System (MILBILLS) interfund billing procedures, Treasury's Intragovernmental Payment and Collecting (IPAC) system, and intragovernmental charge card methods. When automated collection procedures cannot be used, the Voucher for Transfer Between Appropriations and/or Funds (Standard Form (SF) 1080) will be used as the collection document. Remittance by check from federal agencies shall be used as a last resort, and shall not be allowed between DoD Components.

C. Accounting entries for reimbursable billings and collections, and accounts receivable corrections and adjustments are referenced in paragraph 0313 and depicted in Annex 3 of this chapter.

030905. Recording Collections.

A. SF 1080 bills, automated or manual, shall credit individual receivables as paid and shall increase the appropriation fund balance with Treasury. The SF 1080 document shall be dated for reporting in the Treasury's Statement of Transactions in the same month the collection was recorded in the accounting system.

B. Rejected SF 1080 shall require the reestablishment of a receivable and adjustments to an appropriation's fund balance with Treasury.

C. Undistributed collection balances shall be analyzed and reconciled to ensure all collected amounts are properly credited to the proper appropriation fund balance with Treasury and applicable accounts receivable accounts.

030906. Adjusting and Correcting Billings.

A. Billing and collection processes shall provide a means for adjusting and correcting billings; these means include acceptance of a bill, adjustment of a bill, and rejection of a bill. The accounts receivable office (or responsible office) shall research such requests for adjustments or rejects in accordance with paragraph 030305.C, and:

1. If all or part of the billing is determined to be incorrect, process a credit within the accounting cycle the error was discovered.

2. If the bill is rejected, review the basis for rejection. Such review and subsequent correction shall be completed within the accounting cycle the error was discovered.

a. If there is evidence of an incorrect billing, process a credit to clear the suspense or difference within the current accounting cycle, and if proper, the receivable shall be reestablished for a correct or revised amount.

b. If the billing is considered to have been properly made, the receivable is reestablished, and the ordering entity shall be contacted and requested to accept the billing based on evidence provided.

c. If a receivable is reestablished or adjusted, the customer shall be informed.

B. The accounts receivable office shall inform its customer agency of the circumstances of any delinquent accounts receivable.

030907. Disputed Billings. The ordering entity (customer) shall inform the performer's accounts receivable office (billing office) of its intent to dispute a bill. The intent to dispute shall be established within 30 days of receipt of a bill.

A. The ordering entity shall request a bill's supporting documentation before rejecting the bill. Minimum research requirements are delineated in paragraph 030305.C of this chapter.

B. A bill shall be rejected if the requested supporting documentation is not provided within 30 days, or when the ordering entity obtains proof of incorrect billing. The ordering entity shall provide the performer's accounts receivable office a clear explanation for the reject.

030908. Close-out of Accounts Receivable.A. Intragovernmental Debt Within the DoD:

1. The performer's accounts receivable office and the performer's accounting office are responsible for managing an intragovernmental debt. Intragovernmental debt cannot be reduced, i.e., an allowance for doubtful debt is not allowed for intragovernmental debt. Additionally, intragovernmental debt cannot be transferred to a debt collection activity.

2. The close-out of accounts receivable \$2,500 and less shall take no longer than 2 years. Accounts receivable shall be closed-out only after research has been accomplished, as required in paragraph 030305.C of this chapter.

a. For disputed bills, the ordering entity shall provide the performer's accounting office with a letter showing cause for nonpayment no later than 30 days after the payment due date; the only valid causes for disputed billings shall be lack of supporting documentation or authority to bill, nonreceipt of goods or services, or duplicate billing. The accounting office shall reestablish accounts receivable amounts for disputed bills.

b. The performer's accounting office, in addition to providing the ordering entity the bill's supporting documentation, shall submit 30 and 60 days demand letter for unpaid intragovernmental accounts receivable.

c. No later than 90 days after payment due date, the ordering entity shall provide the performer's accounting office a letter stating cause for nonpayment.

(1) If the ordering entity does not provide a letter showing cause for nonpayment within 90 days of payment due date, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

(2) If the ordering entity provides a letter showing valid cause for nonpayment, the performer's accounting office shall close-out the receivable by reversing the receivable entries. Close-out entries are demonstrated in paragraph G of Annex 3 of this chapter.

(3) If the ordering entity provides a letter, but the causes for nonpayment are invalid, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

3. The close-out of an accounts receivable over \$2,500 shall take no longer than 2 years. Accounts receivable shall be closed-out only after research has been accomplished, as required in paragraph 030305.C of this chapter.

a. For disputed bills, the ordering entity shall provide the performer's accounting office with a letter stating the cause for nonpayment no later than 30 days

after the payment due date; the only valid causes for dispute shall be lack of supporting documentation or authority to bill, nonreceipt of goods or services, or duplicate billing. The performer's accounting office shall reestablish the receivable if automatic self-reimbursable procedures were used to collect.

b. The performer's accounting office, in addition to providing the ordering entity supporting documentation to support the billing, shall submit 30 and 60 days demand letter.

c. No later than 90 days after the payment due date, the ordering entity shall provide the performer's accounting office a letter showing cause for nonpayment.

(1) If the ordering entity does not provide a letter showing cause for nonpayment within 90 days of payment due date, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

(2) If the ordering entity provides a letter showing valid cause for nonpayment, the performer's accounting office shall close-out the receivable by reversing the receivable entries. Close-out entries are demonstrated in paragraph G of Annex 3 of this chapter.

(3) If the ordering entity provides a letter, but the causes for nonpayment are invalid, the performer's accounting office shall work with the performer's accounts receivable office and shall provide the ordering entity's Component Comptroller (i.e., the Military Department Assistant Secretary (Financial Management and Comptroller), or the Defense Agency Comptroller, or the DoD Field Activity Comptroller, as applicable) or designee with a history of all the accounting office's research, debt collection efforts, and the ordering entity's letter showing cause for nonpayment. The accounting office shall seek concurrence to collect the receivable. Such concurrence to collect shall be sought within 30 days of receipt of the ordering entity letter. The ordering entity's Component Comptroller shall review the request to collect and shall concur or nonconcur within 60 days of request:

(a) Nonresponses within 60 days shall be determined to be concurrences.

(b) Concurrences shall authorize the performer's accounting office to charge the ordering entity and the ordering entity shall accept the charge.

(c) If nonconcurring, the ordering entity's Component Comptroller shall provide the accounting office written cause for nonpayment.

(4) If the ordering entity's Component Comptroller nonconcurs, the accounting office shall provide the ordering entity's Component Comptroller's

nonconcurrence to the performer's Component Comptroller and shall request concurrence to close-out the accounts receivable.

(a) The performer's Component Comptroller shall concur, or nonconcur, within 60 days of request; nonresponses shall be determined to be concurrences.

(b) Concurrences shall authorize the accounting office to close-out the receivable as delineated in paragraph G, Annex 3 of this chapter.

(c) If the performer's Component Comptroller nonconcurs, the accounting office shall provide, within 30 days, the ordering entity's and performer's Component Comptrollers nonconcurrences to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for review. (When Component Comptrollers report to Joint Commands, the Joint Command's Comptroller shall be advised of nonconcurrences prior to advising the OUSD(C) and paragraph (a), above, applies.)

(5) The OUSD(C) shall review the bills supporting documentation, history of research, and letters provided to the accounting office. The OUSD(C) shall provide a final ruling no later than the two years after the payment due date. The OUSD(C) ruling shall either provide the accounting office authority to charge the ordering entity, or authority to close-out the receivable. Close-out entries are demonstrated at paragraph G, Annex 3 of this chapter.

B. Intragovernmental Debt Outside the DoD. Disputes between governmental agencies, for example, between the DoD and the General Services Administration, shall be forwarded to the performer's Component Comptroller or designee for review. An accounts receivable office shall forward disputed accounts receivable to the performer's Component Comptroller only after due research and due collection actions have been performed, as required by paragraphs 0305 and 030305.C of this chapter. For disputed, delinquent accounts receivable:

1. The performer's accounts receivable office shall submit 30 and 60 days demand letters to the ordering entity.

2. No later than 90 days after the payment due date, the performer's accounts receivable office shall forward the bill to the performer's Component Comptroller or designee for review.

3. No later than 180 days after the payment due date, the performer's Component Comptroller shall provide the accounts receivable office its concurrence or nonconcurrence to close-out the receivable.

a. If nonconcurring, the performer's Component Comptroller shall forward the bill, with supporting documentation and research, to the billed agency with a request for payment.

b. If the billed agency does not submit payment within one year of the payment due date, the performer's Component Comptroller shall forward the bill to the OUSD(C) for resolution. (When Component Comptrollers report to a Joint Command, the Joint Command's Comptroller shall be advised of nonpayment prior to advising the OUSD(C); the Joint Command's Comptroller shall provide concurrence or nonconcurrence within 60 days.)

4. The OUSD(C) shall evaluate the supportability of the bill within 180 days. If supportable, the OUSD(C) shall request payment from the other Federal Agency. If unsupported, the OUSD(C) shall advise the performer's Component Comptroller to close-out the accounts receivable balance.

5. If the other Federal Agency does not respond to the OUSD(C) request for payment, the accounts receivable office shall close-out a delinquent accounts receivable no later than 2 years after the receivable's established due date. Close-out entries are demonstrated in paragraph G of Annex 3 of this Chapter.

★0310 REPORTING OF INTRAGOVERNMENTAL RECEIVABLES

Accounting offices shall at least quarterly report to their accounting centers the status of all delinquent intragovernmental account receivables, with information depicting age, and collection activity. This report shall separately identify intragovernmental receivables (1) due within DoD and (2) due from other federal entities.

★0311 REPORTING OF RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit a "Report on Receivables Due From the Public" ("Receivables Report"). The Receivables Report is discussed in depth at Annex 2 of this chapter. The Receivables Report is the Department's and the Department of Treasury's only comprehensive means for periodically collecting data on the status and condition of the federal government's nontax debt portfolio, in accordance with the requirements of the Debt Collection Act of 1982 and the Debt Collection Improvement Act of 1996. The Receivables Report provides visibility on public receivables as follows:

031101. Part I, Status of Receivables

A. Section A, Receivables and Collections. Provides current beginning fiscal year balance of receivables; and the cumulative activity during the fiscal year.

B. Section B, Delinquent Debt by Age. Provides an aging schedule and classifies delinquent debt by commercial, consumer, and foreign/sovereign categories.

031102. Part II, Debt Management Tool and Technique Performance Data.

A. Section A, Delinquent Debt 180 Days or Less. Provides specific information on the actions an agency is taking to collect its debts between 1 and 180 days delinquent.

B. Section B, Debt Eligible for Referral to Treasury for Offset and Cross Servicing. Provides delinquent debt information according to eligibility for referral to Treasury for offset and cross-servicing.

C. Section C, Collections. Provides information on all collections of delinquent accounts by management tool and technique.

D. Section D, Debt Disposition. Provides information on the number and dollar amount of selected categories of written-off delinquent debt.

031103. Part III, Footnotes. Footnotes are required whenever agencies' criterion is inconsistent with Treasury's definition of data requirements. Footnotes should be entered in the designated area and referenced to the appropriate line item.

★0312 REPORTING RECEIVABLES IN THE DEPARTMENT OF DEFENSE AUDITED FINANCIAL STATEMENTS

Accounts receivable are reported on the annual audited financial statements. Instructions for the reporting of receivables in the annual audited financial statements are contained in Volume 6B, "Form and Content of the Department of Defense Audited Financial Statements," of this Regulation. Receivable amounts are depicted in the Balance Sheet and are disclosed in Note 5 of the Notes to the Financial Statements.

031201. Volume 6B, Appendix B, of this Regulation requires that public accounts receivable balances reported on the annual audited financial statements be reconciled with the Federal Agencies' Centralized Trial-balance System (FACTS I) accounts receivable from the public balances (attribute nonfederal).

031202. Accounts receivable balances due from the public reported on the annual audited financial statements also shall be reconciled with receivables reported on the "Report of Receivables Due From the Public."

031203. The consolidated annual audited financial statements eliminate intragovernmental accounts receivable balances. In order to properly eliminate intragovernmental accounts receivable balances, receivable transactions shall identify the detail level order number which initiated the work performed and earned (this also will identify the trading partner). Thus, accounts receivable balances shall be eliminated against the trading partner's detail level accounts payable balances. With detail level identification of order numbers on each receivable transaction,

elimination of intragovernmental accounts receivable against applicable accounts payable can be accomplished accurately and efficiently.

★0313 THE USSGL PRO FORMA ENTRIES FOR RECEIVABLE TRANSACTIONS

031301. General. This section references accounting transactions for collections and receivables that are illustrated in the Treasury Financial Manual (TFM), Transmittal Letter No. S2-00-01, USSGL, Section III. The referenced accounting transactions pertain to accounting events occurring throughout the federal government. The referenced accounting transactions illustrate both proprietary and budgetary entries for each accounting event. USSGL accounting transactions or collections and receivables are at: <http://www.fms.treas.gov/ussgl/effective02july/sec3txns.pdf> and are identified in Section III with transaction codes C 100 through 400, as follows:

- A. Transaction codes C 100s are for receipts,
- B. Transaction codes C 200s are for receivables and accrued revenue,
- C. Transaction codes C 300s are for assets sales and disposition (gains and losses), and,
- E. Transaction codes C 400s are for asset transfers-in.

F. The following are examples of accounting transactions illustrated in the TFM which effect receivable accounts:

- 1. To record in the performing agency an advance received after a reimbursable agreement was established (C 184).
- 2. To record the collection of receivables in the performing agency for reimbursable services (C 186).
- 3. To record accrued revenue from Federal sources other than for reimbursable, non-revolving trust and special funds, custodial activity and interest on Treasury securities (C 214).
- 4. To record refund receivables for asset or expenses that does not create budgetary resources until collected (C 212).
- 5. To record an allowance for a reduction in revenue from non-Federal sources when realization is not probable (less likely than not) (D 202).
- 6. To record the estimated allowance for bad debts related to non-cash-reform receivables (D 204).

7. To record the write-off of penalties, fines and administrative fees receivable (D 205).

8. To record the write-off of accounts receivable (D 206).

031302. Reimbursable Program. Example accounting transactions for a reimbursable program are illustrated in the TFM as referenced in 031301, above, and in Annex 3 of this chapter.

031303. USSGL Receivable Accounts

A. Accounts Receivable (Account Number 1310). The amount due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, refunds due, or court ordered assessment. Sources of entry include billing documents, interfund billings, job cost reports, receiving reports, payroll records, cash collection vouchers, collection, and disbursing documents. The normal balance for this entry is a debit.

B. Allowances for Loss on Accounts Receivable (Account Number 1319). The estimated amount of uncollectible accounts receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. This account shall consider outstanding advances. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit. Paragraph A, Annex 1 of this chapter provides guidance on the development of an allowance account.

C. Interest Receivable (Account Number 1340). The accrued interest charges on accounts and loans receivable. This also includes interest accrued on investment securities. The normal balance for this account is a debit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of interest.

D. Allowances for Loss on Interest Receivable (Account Number 1349). The estimated amounts of uncollectible interest receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual accounts subsequently written off. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of interest.

E. Loans Receivable (Account Number 1350). The amounts loaned to another federal account or fund, individuals, private sector organizations, state and local governments, or foreign governments. Sources of entry include loan instruments and cash collection vouchers. The normal balance for this entry is a debit.

F. Allowances for Loss on Loans Receivable (Account Number 1359). The estimated amount of uncollectible loans receivable. This amount is increase by the amount estimated to be uncollectible each accounting period and is decrease by the actual accounts

subsequently written off. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit.

G. Penalties, Fines and Administrative Fee Receivable (Account Number 1360). The amount of penalties, fines and administrative fees on accounts and loans receivable due to the delinquency of a debt. The normal balance for this entry is a debit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of penalties, fines and administrative fees.

H. Allowances for Loss on Penalties, Fines and Administrative Fees Receivable (Account Number 1369). The estimated amount of uncollectible penalties, fines and administrative fees receivable. This amount is increase by the amount estimated to be uncollectible each accounting period and is decrease by the actual accounts subsequently written off. Sources of entry include an analysis of this account to estimate the uncollectible portion. The normal balance for this entry is a credit. Paragraph C, Annex 1 of this chapter provides guidance on the development of an allowance account for losses on penalties, fines and administrative fees.

CHAPTER 3

ANNEX 1AGING RECEIVABLES DUE FROM THE PUBLIC

A. Purpose. The Comptroller General and the Department of the Treasury require federal agencies to age delinquent receivable accounts reflecting amounts owed to the government. In addition, federal agencies shall establish allowances for uncollectible accounts on debt due from the public.

1. Allowance for Doubtful Accounts. Accounts receivable accounts shall reflect their economic value. Federal Accounting and Standards Advisory Board (FASAB) standards require losses on receivables to be recognized when it is more likely than not that the receivables will not be totally collected. The language “more likely than not” means more than a 50 percent chance that the full delinquent amount will not be collected. An allowance for doubtful debt shall be provided for by reducing gross receivables by the amount of the loss to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date when information indicates that the latest estimate is not longer correct. A provision to increase or decrease the allowance will result in an adjustment of nonexchange revenue, rather than a bad debt expense.

a. Measurement of Losses. Losses due to uncollectible amounts shall be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

(1) Individual Account Analysis. Accounts that represent significant amounts shall be individually analyzed to determine the loss allowance. Loss estimation for individual accounts shall be based on: (a) the debtors ability to pay, (b) the debtor’s payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools.

(2) Group Analysis. The allowance for losses generally cannot be based solely on the results of individual account analysis. In many cases, information may not be available to make a reliable assessment of losses on an individual account basis or the nature of the receivables may not lend itself to individual account analysis. In these cases, potential losses should be assessed on a group basis. To determine the loss allowance on a group basis, receivables shall be separated into groups of homogeneous accounts with similar risk characteristics.

(a) The groups shall reflect the operating environment. For example, accounts receivable can be grouped by: (a) debtor category (business firms, state and local governments, and individuals), (b) reasons that gave rise to the receivables (tax delinquencies, erroneous benefit payments, trade accounts based on goods and services sold, and transfers of defaulted loans to accounts receivable), or (c) geographic regions (foreign countries, and domestic regions). Within a group, receivables are further stratified by risk characteristics.

Examples of risk factors are economic stability, payment history, alternative repayment sources, and aging of the receivables.

(b) Statistical estimation by modeling or sampling is one appropriate method for estimating losses on groups of receivables. Statistical estimation should take into consideration factors that are essential for estimating the level of losses, including historical loss experience, recent economic events, current and forecast economic conditions, and inherent risks.

(3) While other methods may be recognized and considered appropriate, the general reserve method is considered the most suitable for Department of Defense (DoD) Components in determining the amount of uncollectible accounts receivable. Under this method, a reserve is based on bad debt experience and changes in outstanding accounts receivable balances. In recognition of the principle that the more delinquent an account receivable becomes the greater the likelihood that it will not be collected in full, the analysis of receivables by age groups can be used in determining a reasonable amount to add to the allowance for loss on accounts and refunds receivable. To make this determination, it is desirable to estimate the percentage of probable expense for each age group of accounts receivable. This percentage, when applied to the dollar amount in each age group, gives a probable expense for each group. By adding together the probable expense for each age group, the required balance in the allowance for loss on accounts and refunds receivable is determined.

(4) In preparing an aging schedule, amounts shall be considered as delinquent if not paid within 30 days from date of invoice or notice of payment due, unless different terms are specified by contract, other agreement or DoD Component procedures. Receivables shall be aged in the groups listed in following table.

★AGED RECEIVABLE GROUPS

1 to 90 days delinquent

91 to 180 days delinquent

181 to 365 days delinquent

Greater than 1 year and Less than or equal to 2 years delinquent

Greater than 2 years and Less than or equal to 6 years delinquent

Greater than 6 years and Less than or equal to 10 years delinquent

Greater than 10 years delinquent

TABLE 3-1-1

B. Extent of Collection Efforts for Domestic Debts

1. General Policy. Except for debts from foreign countries, accounting and collection procedures shall be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. Procedures shall be designed to capture the total cost of the debt collection process (both direct and indirect costs), by dollar range of debt and the total number of cases processed. Until actual cost data are accumulated, cost analysis techniques shall be developed and used to determine the unit cost of processing first debt notices, follow-up actions, requests for waiver or remission, etc. When estimated costs are used, the estimates shall be updated periodically or when circumstances and conditions change significantly.

2. Comparison Requirements. Each DoD Component shall make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which costs of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to be considered in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, age statistical analysis, etc., also shall be performed before a final point of termination of collection action is determined. The following definitions should be considered when making cost comparisons, reviews and analysis:

a. The Debt Collection Process. Includes: (1) the preparation of the first debt notice; (2) all follow-up actions such as answering rebuttals, processing requests for waiver or remission, holding hearing, negotiating compromises, handling installment contract and suspense, processing collections, and making referrals to credit reporting and collection agencies; and (3) the completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

b. Direct Cost. Includes any costs that can be identified specifically with handling cases or accounts during the debt collection process. These normally consist of personnel costs, computer equipment costs, supplies, postage and contract services.

c. Indirect Cost. Includes any costs that are identified with the debt collection process, but which benefit that process and at least one other activity. These costs shall be accumulated only when they are expected to exceed 20 percent of the direct costs.

d. Cases Processed. The number of cases completed or closed during the year either by collection or write-off (i.e., close-out). Collection includes compromises and offsets from other federal government payments.

3. Break-Even Analysis. A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. A break-even analysis format and instructions are provided as Table 3-2.

| BREAK-EVEN ANALYSIS | | | | | |
|---|---------------------------------------|--|--|---------------------------------|---------------------------------|
| (1) <u>\$ Range</u> | (2) Cases # <u>Processed</u> | (3) Original \$ <u>Amount</u> | (4) Cost to \$ <u>Collect</u> | (5) \$ <u>Collections</u> | (6) \$ <u>Differences</u> |
| 0-25 | | | | | |
| 26-50 | | | | | |
| 51-75 | | | | | |
| 76-100 | | | | | |
| 101-125 | | | | | |
| 126-575 | | | | | |
| 576-600 | | | | | |
| SUBTOTAL | | | | | |
| OVER 600 | | | | | |
| GRAND TOTAL | | | | | |
| <p>Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.</p> <p>Column (2) - Total number of cases processed within this particular dollar range.</p> <p>Column (3) - Original dollar amount of debts for this particular range.</p> <p>Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).</p> <p>Column (5) - Accumulate collections per range or subtotal.</p> <p>Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).</p> <p>Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.</p> | | | | | |
| TABLE 3-1-2 | | | | | |

C. Interest, Penalty, and Administrative Charges

1. General.

a. Accounting for receivables shall include provisions for accruing interest, penalty, and administrative charges on delinquent accounts from the public in accordance with 31 United States Code (USC) 3717. Accounting systems shall be designed to accumulate and record such charges for all debts owed the DoD. Note, however, that debts owed by any federal agency (including nonappropriated fund instrumentalities (NAFIs)), or any State or local government are exempt from interest, penalty, and administrative charges.

b. Payments of amounts owed the federal government by organizations, businesses, and individuals are expected to be made in accordance with terms specified in contracts, agreements, or notifications of indebtedness. The Federal Acquisition Regulation is the authority for the collection of contractual indebtedness. For those debts owed the federal government that are not covered by contracts or agreements, the initial notification of indebtedness shall inform the debtor of the basis for the indebtedness, the date payment is to be made (due date), and the requirement for interest, penalty, and administrative charges, unless otherwise prohibited by law.

c. The intent of interest, penalty, and administrative charges is to stimulate prompt payment, to recover to the U.S. Treasury the cost of borrowing necessitated by a delinquent receivable, and to recover to the creditor agency the cost of processing and handling delinquent claims, including the referral of claims to credit bureaus or collection agencies.

2. Application of Charges. Guidance on assessing interest, penalty, and administrative charges is contained in the Federal Claims Collection Standards. Interest, penalty, and administrative charges, unless prohibited by law, shall be applied according to the following:

a. Interest charges shall be assessed on all late payments whether the debt is to be paid in a lump sum or by installments. Interest shall also be charged on audit-related debt. The minimum rate shall be the average investment rate on Treasury's Tax and Loan Account for the 12-month period ending September 30 of each year, as prescribed by the Department of the Treasury.

b. Fixed or variable interest rates shall be established for each type of loan receivable and for overdue accounts receivable from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, occurrence of an event, passage of time, debtor's income level, federal funds rate, etc.) shall be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate shall be the current rate on funds to the Treasury.

c. The DoD Components shall assess a penalty charge, not to exceed 6 percent per annum on any portion of a debt that is delinquent more than 90 days.

d. In addition to interest and penalty charges, a charge shall be determined and prorated over delinquent claims to cover the costs of processing and handling them.

e. Accrued interest, administrative, and penalty charges shall be recorded in appropriate accounts contained in Chapter 7, Volume 1 of this Regulation. Subaccounts may be established under existing accounts prescribed for interest and penalty charges.

f. A collection shall be applied first toward administrative and penalty charges; second, toward accrued interest; and third, toward the remaining balance due.

3. Disposition of Charges

a. Interest charges collected shall be deposited directly into Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

b. Penalty charges shall be deposited directly into Treasury's receipt account 1099, "Fines, Penalties, and Forfeitures, Not Otherwise Classified."

c. Administrative charges required to pay for contractor collection fees or claims collection litigation reports shall be paid directly to the GSA designated contractor. Any excess amounts shall be deposited monthly to Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not otherwise Classified."

4. Computation of Amounts

a. Interest Charges shall be computed using the following formula:

$$I = DNF$$

Where: I = Interest charge
 D = Amount of delinquent account receivable
 N = Number of days delinquent
 F = Interest rate per day

b. A penalty charge cannot exceed 6 percent per year of that portion of the debt that is delinquent more than 90 days. A debt becomes delinquent if not paid by the established due date, therefore, a penalty charge of up to 6 percent may be applied on a debt that has been delinquent for 91 days past the established due date. Penalty charges shall be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. The DoD Components may determine what percent up to the maximum 6 percent will be applied to delinquent accounts.

c. An administrative charge shall be assessed to cover the added costs incurred in handling a debt beyond the date on which payment was due. Unlike the interest charge, which begins to accrue on the date the delinquent notice actually is mailed, the administrative charge is applied only if payment is not made by the due date specified in the notice. The DoD Components

shall calculate administrative charges based upon actual costs incurred. If actual cost is not available, DoD Components may base administrative charges upon other historical costs or cost analyses so long as the method used supports determination of the charge. The administrative charge shall be applied to all delinquent debts with due regard given to the length of time the debts is delinquent, such as the age categories identified in Table 3-1.

5. Application to New Accounts. Rules for application of interest charges to newly established accounts are as follows:

a. The first interest rate used to determine charges on a delinquent account shall be applicable for the life of the delinquent account, unless the account is rescheduled or other events occur that justify an interest rate adjustment. The Department of the Treasury provides federal agencies with percentage rate to be used in applying interest by publishing the applicable rate in the Federal Register each quarter.

b. Payment terms specified in the notice of indebtedness shall be consistent with payment terms in the related contract or formal agreement.

c. Unless other provisions have been included in a contract or prior agreement, interest charges shall not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue.

d. Interest and penalty charges shall continue to accrue after “date of death” when a claim is to be filed against an estate.

6. Application to Existing Accounts. Rules for application of interest and penalty charges to accounts receivable on the effective date of this chapter are as follows:

a. On those debts for which payments are current and are being paid on a regular basis, an advisory notice shall be issued prescribing interest requirements with a stipulation that interest charges will not be imposed so long as payments remain current. This applies to in-service and out-of-service debts.

b. On those accounts for which payments are being made, but which are in arrears because some payments have been missed, the notice shall advise that federal regulations require interest and penalty charges to be assessed on the unpaid balance of the account if a regular payment schedule is not maintained.

c. Debtors with accounts that are over 90 days delinquent shall be notified of the requirement for assessing interest and penalty charges. If the debt is not liquidated by the due date prescribed in the notice, interest and penalty charges shall begin to accrue on the date of the notification.

7. Payment Within 30 Days. Interest shall not be charged if payment is made within 30 days after the date from which interest begins to accrue (30 days after date notification was

mailed). The DoD Components may extend this period for an additional 30 days on a case-by-case basis.

8. Waiver of Accrual of Interest, Penalty, and Administrative Charges. The head of a DoD Component, or designee, may promulgate regulations identifying circumstances appropriate to waive collection of interest and charges in conformity with the Federal Claims Collection Standards; otherwise, the policy regarding the waiver of the accrual of interest, penalty, and administrative charges is as follows:

a. The accrual of interest, penalty, and administrative charges may be waived when accounts are terminated or compromised, or when the additional charges would cause extreme hardship or would not be in the best interest of the government.

b. Decisions to waive the accrual of interest, penalty, and administrative charges shall be considered on a case-by-case basis (no blanket waivers will be granted). Decisions on such waivers shall be documented, including an explanation as to the reasons for the waiver, and retained as a part of the official file.

c. Waiver of the accrual of interest, penalty, and administrative charges shall be approved at the same organizational level or by the same designee authorized to waive claims.

d. Once accrued, interest, penalty, and administrative charges shall be collected, reported, compromised, or written off in the same manner as the basic debt.

e. Debts shall be compromised, suspended, terminated, or reported to the Department of Justice in accordance with the Federal Claims Collection Standards, as required by paragraphs 0308 and 0309, above. An inventory of cases referred including dollar amounts shall be maintained by each DoD Component for reporting purposes.

CHAPTER 3

ANNEX 2REPORT ON RECEIVABLES DUE FROM THE PUBLIC

A. Purpose. This section prescribes report form and instructions for preparation of the Report on Receivables Due From the Public (Receivables Report). The Receivables Report is required by Volume 1, Part 2, Chapter 4100 of the Treasury Financial Manual (TFM), and provides the Treasury Department with information needed pursuant to Office of Management and Budget (OMB) Circular A-129, "Managing Federal Credit Programs." It also advises agency managers on the status of receivables and credit management efforts. The authority to require information found in the Receivables Report is the Debt Collection Improvement Act of 1996, 31 United States Code (USC), Section 3719, and the USC Title I, Money and Finance, Chapter 35, "Accounting and Collections," Section 3515.

B. Applicability and Scope. The provisions of this section apply to all DoD Components, including those with no receivable activity.

C. Report Format and Control Number. The Receivables Report consists of three parts: (I) Status of Receivables, (II) Debt Management Tool and Technique Performance Data, (III) Footnotes. The Receivables Report and accompanying footnotes are illustrated in Figure A-1 of this annex.

D. Frequency and Distribution

1. Quarterly Reporting. For quarterly reporting, the dollar threshold will be \$50 million in total receivables inclusive of principal, interest, and late charges. Quarterly reports, if required by an entity, are due to the Department of the Treasury's Financial Management Service (FMS) by the end of the 30th day of the month following the close of each of the first three quarters (for example, 2nd quarter FY 2002 reports will be due by April 30, 2002). All fourth quarter reports are due by November 15th.

2. Quarterly and Annual Reports. All entities with receivables must submit an annual report and complete Parts I, II, and III of the form. All quarterly and annual reports must be transmitted via the Internet utilizing the Debt Management Information System (DMIS).

3. Year-End Reporting. The Department of the Treasury's FMS requires that all 4th quarter (year-end) reports be certified by the submitting agency's Chief Financial Officer (CFO), or equivalent. The verification form is to be submitted separately from the Receivables Report and is due to Treasury, FMS by March 31 of each year for the preceding fiscal year (FY).

4. Preparation Instructions for the Report on Receivables Due from the Public. Following are preparation instructions for FY 2001 reporting. The Internet address for preparation instructions for the Receivables Report is: <http://www.fms.treas.gov/debt/dmrpts.html>

FORM IDENTIFICATION & PREPARER INFORMATION

| Report on Receivables Due From the Public | | | |
|--|---------------|-----------------------------------|-----------------|
| Reporting Code: | Entity | Fiscal Year: | Quarter: |
| Type of Receivable: | Direct Loans: | Defaulted Guaranteed Loans: | Administrative: |

| Agency Contact Information | | |
|-----------------------------------|--------|----------------------|
| Preparer's Name: | | Telephone Number: |
| Preparer's Facsimile No.: | | E-Mail Address: |
| Supervisor's Name: | | Telephone Number: |
| Address: | | E-Mail Address: |
| City: | State: | Zip Code: |

Part I - Status of Receivables**Section A****Receivables and Collections**

| | Number | Dollars |
|---|---------------|----------------|
| (1) Beginning FY Balance | | |
| (2) New Receivables (+) | | |
| (3) Accruals (+) | | |
| (4) Collections on Receivables (-) | | |
| (A) At Agency | | |
| (B) At Third Party | | |
| (C) Asset Sales | | |
| (D) Other-must footnote | | |
| (5) Adjustments | | |
| (A) Reclassified/Adjusted Amounts (+ or -) | | |
| (B) Adjustment Due to Sale of Assets (+ or -) | | |
| (C) Consolidations (+ or -) | | |
| (6) Amounts Written Off (-) | | |
| (A) Currently no Collectible (-) | | |
| (B) Written off and Closed (-) | | |
| (7) Ending Balance | | |
| (A) Foreign/Sovereign | | |
| (B) State and Local Government | | |
| (8) Rescheduled Debt | | |
| (A) Delinquent | | |
| (B) Non-Delinquent | | |
| (9) Interest and Late Charges | | |

Section B**Delinquent Debt by Age**

| | | |
|----------------------------|--|--|
| (1) Total Delinquencies | | |
| (A) 1-90 Days | | |
| (B) 91-180 Days | | |
| (C) 181-365 Days | | |
| (D) 1-2 Years | | |
| (E) 2-6 Years | | |
| (F) 6-10 Years | | |
| (G) Over 10 Years | | |
| (2) Commercial | | |
| (3) Consumer | | |
| (4) Foreign/Sovereign Debt | | |

Part II - Debt Management Tool and Technique Performance Data**Section A****Delinquent Debt 180 Days or Less**

| | Number | Dollars |
|---|---------------|----------------|
| (1) Total Delinquencies 1-180 Days | | |
| (A) In Bankruptcy | | |
| (B) In Forbearance or In Formal Appeals Process | | |
| (C) In Foreclosure | | |
| (D) At Private Collection Agencies | | |
| (E) At DOJ | | |
| (F) Eligible for Internal Offset | | |
| (G) In Wage Garnishment | | |
| (H) At Treasury for Cross Servicing | | |
| (I) At Treasury for Offset | | |
| (J) At Agency | | |
| (K) Other - must footnote | | |

Section B**Debt Eligible for Referral to Treasury to Offset & Cross-Service**

| | | |
|---|--|--|
| (1) Debt Eligible for Referral to Treasury for Offset | | |
| (A) Delinquent Debt Over 180 Days & Currently not Collectible | | |
| (B) In Bankruptcy (-) | | |
| (C) Foreign/Sovereign Debt (-) | | |
| (D) In Forbearance or Formal Appeals Process (-) | | |
| (E) In Foreclosure (-) | | |
| (F) Other - must footnote (+ or -) | | |
| (G) Debt Eligible for Referral to Treasury for Offset | | |
| (H) Debt Referred to DOJ/Litigation (-) | | |
| (I) Debt Eligible for Referral to Offset by Agency | | |
| (J) Debt Referred to Treasury for Offset | | |
| (K) Balance of Debt eligible for referral by the Agency | | |
| (2) Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing | | |
| (A) Debt Eligible for Referral to Treasury for Offset by Agency | | |
| (B) At PCAs (-) | | |
| (C) Eligible for Internal Offset (-) | | |
| (D) Debt Exempted by Treasury from Cross Servicing (-) | | |
| (E) Other – must footnote (+ or -) | | |
| (F) Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing | | |
| (G) Debt Referred to Treasury for Cross Servicing (-) | | |
| (H) Balance of Debt Eligible for referral by the Agency | | |

| Section C | | | |
|--|--|---------------|----------------|
| Collections | | Number | Dollars |
| (1) Collections on Delinquent Debt | | | |
| (A) By Private Collection Agencies | | | |
| (B) By DOJ | | | |
| (C) By Internal Offset | | | |
| (D) By Third Party | | | |
| (E) By Asset Sales | | | |
| (F) By Wage Garnishment | | | |
| (G) By Treasury for Offset | | | |
| (H) By Treasury for Cross Servicing | | | |
| (I) By Agency | | | |
| (J) Other - must footnote | | | |
| Section D | | | |
| Debt Disposition | | Number | Dollars |
| (1) Currently no Collectible (Written Off and Not Closed Out) | | | |
| (A) At Private Collection Agencies | | | |
| (B) At Treasury or a Designated Debt Collection Center for Cross Servicing | | | |
| (C) At Treasury for Offset | | | |
| (D) Other - must footnote | | | |
| (2) Reported to IRS on Form 1099C (Written Off and Closed Out) | | | |
| Part III - | | | |
| Footnotes | | | |
| | | | |

Figure 3-2-1

a. General. The Receivables Report consists of three parts, and asks for data in two columns:

(1) The Number of Receivables. The number should represent the actual number of debts or claims. Examples: (1) if a debtor has several separate claims, each claim should be counted individually; or (2) if a claim has numerous bills/invoices or is being paid in installments, each invoice or installment payment should not be counted individually; the underlying claim is counted once.

(2) The Dollar Amount of Receivables. The dollar amount should represent the sum of the principal, interest and late charges associated with the receivables. Dollar amounts are reported in whole dollars. Amounts of 49 cents or less should be rounded down to the nearest dollar and amounts 50 to 99 cents should be rounded up to the next dollar. Agency programs are required to submit separate reports for direct loans, defaulted guaranteed loans, and administrative receivables (i.e., receivables generated from activities other than direct or defaulted guaranteed loans).

b. Form Identification

(1) Reporting Entity Code. This code identifies the entity for which the report is being prepared. It is unique for each reporting entity. The first two digits identify the agency; the next two digits identify the bureau; the remaining digits identify the entity. The Reporting Entity Code will also need to be prefaced by an alphabetic character to identify the type of receivable (see paragraph 050305.B.3., below).

(2) The FY and the Quarter. Identify the FY and Quarter for which you are preparing the report.

(3) Type of Receivable. Type of receivable identifies if the Receivable Report is being prepared for direct loans, defaulted guaranteed loans, or administrative receivables (i.e., receivables generated from activities other than direct loans or guaranteed loans.) For example, the entity “10-09-90000” may consist of both direct loans and administrative receivables; the reporting codes “D10-09-90000” and “A10-09-90000” respectively (D = Direct Loan; F = Defaulted Guaranteed Loan; A = Administrative). A separate report is required for each type of receivable for each entity.

c. Preparation Instructions for Parts I, II, and III

(1) Part I, Status of Receivables. Part I of the Receivables Report addresses the status of receivables. Outstanding receivable balances and current FY activities are captured; delinquent receivables are aged and classified; and scheduled debts are classified.

(a) Section A – Receivables and Collections. This section shows the current beginning FY balance of all receivables; and the cumulative activity during the FY as of the end of the quarterly reporting period for new receivables, accruals, collections,

adjustments, amounts written-off, and ending balance at the end of the reporting period. Additionally, receivables are classified as foreign/sovereign and state and local government. Information is reported at the entity level. It includes delinquent and nondelinquent receivables, as well as, current (due within 12 months from the quarter end date) and noncurrent (due beyond 12 months from the quarter end date) receivables. (*Reminder: dollar amounts are reported at gross book value.*) An explanation for each line entry is as follows:

1 Beginning FY Balance. The number and dollar amount of all receivables outstanding as of the beginning of the FY. These figures are system generated and must agree with the ending balance reported for the previous FY. Typically, these figures will remain unchanged throughout the FY.

2 New Receivables. The number and dollar amount (principal only) assessed by the agency of all new receivables generated during the FY.

3 Accruals. The dollar amount of earned interest and late charges accrued during the current FY.

4 Collections on Receivables. The dollar amount of collections on all debts, including delinquent, nondelinquent, restored and written-off debt, during the FY. Enter collections with a minus (-) sign before the figures. Noncash collections (for example, personal property or services rendered) are to be footnoted. The total dollar amount equals the sum of lines 4A, 4B, 4C, and 4D of this section, and is system generated.

a At Agency. The dollar amount for both delinquent and nondelinquent debt worked and collected at the agency.

b At Third Party. The dollar amount for both delinquent and nondelinquent debt collected by a third party other than the Department of Justice or private collection agency, such as a guaranty agency.

c Asset Sales. The dollar amount of proceeds realized from the sale of a loan or debt asset.

d Other. The dollar amount of all other collections both delinquent and nondelinquent not recorded in lines 4A, 4B, or 4C of this section. Other collection tools or techniques include, but are not limited to, wage garnishment, private collection agencies, designated debt collection center, and foreclosure. Amounts reported on this line must be footnoted to identify the collection tools or techniques used.

5 Adjustments. The number and dollar amount of changes to receivables during the FY due to reclassifications or adjustments, acquisition of property, estimated losses on acquired property, or consolidations. The total dollar amount equals the sum of lines 5A, 5B, and 5C of this section and is system generated. These lines may be either positive or negative.

a Reclassified/Adjusted Amounts. The dollar amount reclassified or adjusted and transferred into or out of receivables balances during the FY. The amounts may include, but are not limited to, corrections to a previously reported receivable, refunds of amounts previously reported as collections, adjustments made in a prior reporting period, adjustments due to the acquisition of property serving as collateral on a direct or defaulted guaranteed loan, and estimated losses on collateralized debt. If a collection is received for a debt that has been written-off, the amount collected would be restored as a receivable by reporting an adjustment on this line. This line may be either positive or negative. *All amounts reported on this line are to be footnoted with the reason for the adjustment.*

b Adjustments Due to the Sale of Assets. The dollar amount of the difference between the gross book value of an asset and the proceeds from the sale of the asset, as recorded as a collection in line 4.C. of this section.

c Consolidations. The dollar amount of proceeds received through loan consolidations. Loan consolidations include, but are not limited to, defaulted guaranteed loans that are closed and reestablished as direct loans.

6 Amounts Written Off. The number and dollar amount of the uncollectible receivables written off during the FY. Enter amounts written off with a minus (-) sign before the figures. Do not include estimated losses on collateralized debt. That figure is to be included on line 5(A) of this section.

a Currently not Collectible: The number and dollar amount of debts greater than 2 years old where collection continues and the debt is not closed.

b Written off and Closed Out: The number and dollar amount of debts that result in the termination of all collection activity and elimination of the accounts from further servicing.

7 Ending Balance. The number and dollar amount of receivables outstanding, at the end of the reporting period. The dollar amount is equal to the sum of lines 1, 2, 3, 4, 5, and 6 of this section and is system generated. Lines 4 and 6 are negative figures, line 5 may be either positive or negative. The number and dollar amounts of lines 7(A) and 7(B) of this section do not equal line 7.

a Foreign/Sovereign. The number and dollar amount of receivables owed to the U.S. Government by Sovereign nations. Do not include debts owed by foreign corporations or foreign individuals. Those debts are considered nongovernment, domestic debts and reported as a receivable in this section. This line is for informational purposes. The number and dollar amount are included in line 7, above.

b State and Local Government. The number and dollar amount of receivables owed to the U.S. Government by state governments, local

governments, public colleges and universities. This line is for informational purposes. The number and dollar amount are included in line 7, above.

8 Rescheduled Debt. Classify rescheduled debt in lines A and B below. This information is included on line 7, “Ending Balance” of this section, above.

a Delinquent. The number and dollar amount of rescheduled debt for which payments have not been received according to new or modified terms of an agreement to repay debt.

b NonDelinquent. The number and dollar amount of rescheduled debt for which payments are being received according to new or modified terms of an agreement to repay the debt.

9 Interest & Late Charges. The dollar amount of interest and late charges associated with the total outstanding receivables due from the public, at the end of the reporting period, i.e., reported on line 7, “Ending Balance.”

(b) Section B - Delinquent Debt by Age. Delinquent Debt by Age contains an aging schedule and classifies delinquent debt by commercial, consumer, and foreign/sovereign categories. The following criteria must be used when preparing this section:

1 Receivables are recorded as delinquent if not paid by the due date unless terms of the contract or agreement provide otherwise. If the contract or agreement provides for a “grace” period, then the receivable is not considered delinquent until that period expires without payment.

2 Receivables recorded as delinquent are aged from the payment due date or the day notification of debt was mailed depending on the contract or agreement, i.e., date of delinquency. If a “grace” period expires without payment, then the receivable is aged from the original payment due date or date of notification.

3 Rescheduled receivables in a repayment plan and receivables being paid in installment agreements that are being paid as agreed are not considered delinquent receivables.

4 Each delinquent debt is only to be counted once. For example, past due installments for the same account should be counted as one delinquent receivable.

5 Multiple loans for a single borrower are to be counted as a separate debt for each loan.

6 The entire amount of debt is recorded as delinquent if any part of it has been delinquent more than 180 days, provided the debtor has been notified that the entire amount is due (or accelerated).

7 Total Delinquencies. The number and dollar amount of receivables reported on line 7 (Outstanding Receivables, Ending Balance), in Part I, Section A that are delinquent at the end of the quarterly reporting period. Debts with portions in different aging categories, such as may occur when a debtor becomes delinquent on multiple installment payments, are to be reported in the most delinquent (oldest) category. The total dollar amount equals the sum of lines A through G of this section. The total dollar amount also equals the sum of lines (2) and (3) of this section. The total dollar amount is system generated. Lines (A) through (G) show the dollar amounts of receivables that are delinquent for the respective time periods (1-90 days, 91-180 days, 181-365 days, 1-2 years, 2-6 years, 6-10 years, and over 10 years).

8 Commercial. The number and dollar amount of delinquent commercial accounts.

9 Consumer. The number and dollar amount of delinquent consumer accounts.

10 Foreign/Sovereign Debt. The number and dollar amount of delinquent debt owed to the U.S. Government by sovereign nations. Do not include debts owed by foreign corporations or foreign individuals; those debts are considered nongovernment, domestic debts.

(2) Part II, Debt Management Tool and Technique Performance Data. Part II of the Receivables Report contains management information on the status of delinquent debt by collection management tools and techniques, age, eligibility for referrals, collections, and debt disposition.

(a) Section A: Delinquent Debt 180 Days or Less. This section captures delinquent debt information on the following collection tools and techniques: in bankruptcy, in forbearance or in formal appeals process, in foreclosure, at private collection agencies, in litigation, eligible for internal offset, in wage garnishment, at Treasury for cross servicing, at Treasury for offset, at agency, and other. This section is designed to provide specific information on the actions an agency is taking to collect its debts between 1 and 180 days delinquent. The following criteria must be used when preparing this section:

1 Categories are not always mutually exclusive. An agency may refer a debt to a private collection agency and to Treasury for offset at the same time. This debt should be reported in both places.

2 Regarding debts at Treasury for cross-servicing, a designated debt collection center, other third party, or the Department of Justice for litigation will

not be reported in any other category, even though the entity working the debt may have referred it to a private collection agency or to the Treasury for offset.

3 Total Delinquencies 1-180 Days. The cumulative dollar amount of delinquent debt outstanding 180 days or less as of the end of the quarterly reporting period. The dollar amount is system generated and will equal the sum of Part I, Section B, lines 1A and 1B. Because the categories are not mutually exclusive, the sum of lines 1A through 1K of this section may not equal this line.

a In Bankruptcy. The number and dollar amount of delinquent collateralized or uncollateralized debt in bankruptcy.

b In Forbearance or In Formal Appeals Process. The number and dollar amount of delinquent debt in a formal appeals process or forbearance program. The results of the appeal affect whether a debt is considered valid and legally enforceable and/or the dollar amount to be collected. Debts in a formal forbearance program represent debts that are still in negotiation.

c In Foreclosure. The number and dollar amount of delinquent debt which is in foreclosure. To be “in foreclosure,” a notice of default must have been filed.

d At Private Collection Agencies. The number and dollar amount of delinquent debt outstanding at private collection agencies.

e At DOJ. The number and dollar amount of delinquent debt outstanding that is in litigation either at the Department of Justice or at agencies with the statutory authority to litigate.

f Eligible for Internal Offset. The number and dollar amount of delinquent debts that will be collected by internal agency offset. Internal offset occurs when an agency collects a delinquent debt by offsetting payments made or due to the delinquent debtor by that agency.

g In Wage Garnishment. The number and dollar amount of delinquent debt for which the agency is pursuing administrative wage garnishment. Do not include garnishment actions being pursued by the Department of Justice; these actions would be reported as in litigation on line E of this section.

h At Treasury for Cross-Servicing. The number and dollar amount of debt outstanding at Treasury for cross-servicing.

i At Treasury for Offset. The number and dollar amount of debt outstanding at Treasury for offset. The Treasury Offset Program combines

Administrative and Salary Offsets. This amount will also include delinquent accounts referred for Tax Refund Offset.

j At Agency. The number and dollar amount of delinquent debt being worked at the agency. Debt being worked at the agency includes, but is not limited to: in counsel, federal salary offset initiated by the agency, or pending referral to the Department of Justice for litigation.

k Other. The number and dollar amount of delinquent debts outstanding that is being worked by management tools or techniques not represented in lines 1.A. through 1.J. of this section. Other tools and techniques include, but are not limited to: debts at third parties, such as a guaranty agency or financial institution, and debts at a designated debt collection center. All amounts reported on this line are to be footnoted to identify the tool or technique being used.

(b) Section B: Debt Eligible for Referral to Treasury for Offset and Cross-Servicing. Debt eligible for referral to Treasury for offset and cross-servicing captures delinquent debt information according to eligibility for referral to Treasury for offset and Cross-Servicing. Exceptions for debt referrals to Treasury for Offset and Cross-Servicing include, but are not limited to, the following categories: bankruptcy, foreign/sovereign debt, forbearance programs, formal appeals, and foreclosure. Exceptions for debt referrals to Treasury for Cross-Servicing include the offset exception categories, in addition to, debts at private collection agencies, in litigation, and eligible for internal Offset. Note: Debts that are more than 10 years delinquent may not be referred for offset, unless authorized by Federal law; for example, the Department of Education's student loans. This information is being requested to assist in identifying what actions agencies are taking to collect serious delinquent debt, relative to compliance with the requirements of the Debt Collection Improvement Act (DCIA) of 1996. The DCIA requires agencies to (1) notify treasury of all debts delinquent more than 180 days for Offset and (2) refer to Treasury, with the aforementioned exceptions, all debts delinquent more than 180 days for Cross-Servicing debt collection.

1 Debt Eligible for Referral to Treasury for Offset

a Delinquent Debt Over 180 Days and Currently Not Collectible. The dollar amount of debt that is over 180 days delinquent, but not over 10 years delinquent and amounts included in currently not collectible. The dollar amount on this line equals the sum of lines 1.C. through 1.F. of Part I, Section B added to the sum of lines 1.A. through 1.D. or Part II, Section D. Exception: The Department of Education Student Loan Program, or other programs with similar authority, should report debts that are delinquent over 10 years.

b In Bankruptcy. The number and dollar amount of delinquent collateralized or uncollateralized debt in bankruptcy. Enter number and dollar amounts with a minus (-) sign before the figures.

c Foreign/Sovereign Debt. The number and dollar amount of delinquent debt owed to the U.S. Government by sovereign nations. Do not include delinquent debts owed by foreign corporations or foreign individuals. Those debts are considered to be nongovernment, domestic debt. Enter number and dollar amounts with a minus (-) sign before the figures.

d In Forbearance or Formal Appeals Process. The number and dollar amount of the debt that is deferred because of a formal forbearance program or appeals process. Debts that are subject to forbearance or that are under appeal generally are not “legally enforceable.” The results of an appeal determine whether a debt is considered valid and legally enforceable and/or the dollar amount to be collected. Enter the number and dollar amounts with a minus (-) sign before the figures.

e In Foreclosure. The number and dollar amount of delinquent collateralized debt in foreclosure. To be “in foreclosure” a notice of default must have been filed. Enter number and dollar amounts with a minus (-) sign before the figures.

f Other. The number and dollar amount of the delinquent debt that is exempt from, or adjusted to, referral to Treasury for reasons other than those listed in lines 1.(A.) through 1.(E.), above. Amounts entered on this line must be footnoted with the reason for exempting or adjusting the debt referral. The number and dollar amounts may be positive or negative. Enter negative amounts with a minus (-) sign before the figures.

g Debt Eligible for Referral to Treasury for Offset. The number and dollar amount of delinquent debt over 180 days but not over 10 years that is eligible for referral to Treasury for offset. The dollar amount on this line equals the sum of lines 1.(A.) through 1.(F.) of this section and is system generated. Enter the number of cases appropriate for this line.

h Debt Referred to DOJ/Litigation: The number and dollar amount of delinquent debt over 180 days that has been referred for litigation; this may include DOJ referrals or internal referrals at agencies with statutory authority to litigate.

i Debt Eligible for Referral to Offset by the Agency: This line is calculated. It is the number and dollar amount of delinquent debt over 180 days less than 10 years that is eligible for referral to Treasury for offset. The number and dollar amount of this line equals G. minus H. (This will apply unless there is statutory or regulatory authority for debts over 10 years such as, Department of Education, Health and Human Services, and Veterans Administration.)

j Debt Referred to Treasury for Offset: Of the amount eligible, the number and dollar amount of delinquent debt over 180 days that has been referred to Treasury for offset.

k Balance of Debt Eligible for Referral by the Agency: This line is calculated. The number and dollar amount of delinquent debt over 180 days, but not over 10 years that is eligible for referral to Treasury for offset. The dollar amount of this line equals I minus J.

2 Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing

a Debt Eligible for Referral to Treasury for Offset. The number and dollar amount of delinquent debt over 180 days that is eligible for referral to Treasury for Offset. This line is equal to line 1.(I.) of this section and is system generated.

b At Private Collection Agencies (PCAs). The number and dollar amount of delinquent debt outstanding at PCAs. Enter the number and dollar amounts with a minus (-) sign before the figures.

c Eligible for Internal Offset. The agency is enforcing collection of the debt through an internal offset. Delinquent debts are eligible for internal offset, if such offset is sufficient to collect the claim within 3 years after the date the debt or claim is first delinquent. Enter the number and dollar amounts with a minus (-) sign before the figures.

d Debt Exempted by Treasury for Cross Servicing: Enter the number and dollars amount of delinquent debt that has been formally exempted by Treasury from cross-servicing.

e Other. The number and dollar amount of delinquent debt that is exempt from, or adjusted to, referral to Treasury for reasons other than those listed in lines 2.(A.) through 2.(D.), above. Add delinquent debts that are over 10 years old and are not exempt from referral for Cross-Servicing. Other exempt categories include, but are not limited to: debts at third parties – such as a guaranty agency or financial institution which is servicing the delinquency on behalf of the agency, debts at a designated debt collection center, debts scheduled for sale, or debts in a nonjudicial garnishment of private sector wages process. Amounts entered on this line must be footnoted with the reason for exempting or adjusting the debt referral. The number and dollar amounts may be positive or negative. Enter negative amounts with a minus (-) sign before the figures.

f Debt Eligible for Referral to the Treasury or a Designated Debt Collection Center for Cross-Servicing. The number and dollar amount of delinquent debt over 180 days that is eligible for referral to the Treasury or a Designated Debt Collection Center for Cross-Servicing. Debts returned to the agency for write-off occurrence would still be reported in one of the above categories. This line equals the sum of lines 2.(A). through 2.(E.) of this section and is system generated.

g Debt Referred to Treasury for Cross Servicing: Of the amount eligible, the number and dollar amount of delinquent debt over 180 days that has been referred to Cross-Servicing for offset.

h Balance of Debt Eligible for Referral by the Agency: This line is calculated. The number and dollar amount of delinquent debt over 180 days, but not over 10 years that is eligible for referral to Treasury for cross servicing. The dollar amount of this line equals F. minus G. minus H.

(c) Section C: Collections. Collections captures information on all collections of delinquent accounts by management tool and technique. Collections are not always mutually exclusive. The number and dollar amounts are recorded in each tool or technique that collected funds. The purpose for requesting this information is to assist agencies in assessing the effectiveness of their current debt collection strategies. This information allows agencies to compare the number of cases and dollar amounts collected from each tool to the number and dollar amounts of debts applied to each tool. The following criteria must be used when preparing this section:

1 Categories are not always mutually exclusive. An agency may collect a debt from a private collection agency and from Treasury's Offset Program at the same time. The collections should be reported in both places.

2 Collections by Treasury's cross-servicing program or a designated debt collection center, third party, or the Department of Justice (by litigation), will not be reported in any other category, even though the entity working the debt may have received funds from a private collection agency or from Treasury's Offset Program.

3 The actual number of debts or claims for which collections were received is to be reported. If amounts were received for the same debt by more than one tool or technique the debt is to be counted once for each tool or technique that was successful in collection.

4 Collections on Delinquent Debt. Identify the dollar amount of collections on delinquent debts. Include collections of delinquent debt that were written off and subsequently restored during the FY. Noncash collections (for example, personal property or services rendered) are to be footnoted. The dollar amount for this line equals the sum of lines 1.(A.) through 1.(J.) of this section and is system generated. Collections on receivables will be itemized in the following categories:

a By Private Collection Agencies. The number and dollar amount of delinquent debt collected by private sector collection agencies under contract with the agency or Treasury. Do not include collections by Private Collection Agencies realized through other services, i.e., a designated debt collection center.

b By DOJ. The number and dollar amount of delinquent debt collected by the Department of Justice through litigation or by agencies with the statutory authority to litigate. Include judicial foreclosure, bankruptcy, cash, and nonmonetary settlements.

c By Internal Offset. The number and dollar amount of delinquent debt collected through an internal offset. An internal offset occurs when an agency collects by offsetting payments made or due to the delinquent debtor by another program within that agency.

d By Third Party. The number or dollar amount of delinquent debt collected by a third party other than the Department of Justice or private collection agency, such as a guaranty agency.

e By Asset Sales. The number and dollar amount of proceeds realized from the sale of a delinquent loan or debt asset.

f By Wage Garnishment. The number and dollar amount of collections received as the result of nonjudicial (administrative) garnishment of private sector wages. Do not include federal employee salary offset. Federal employee salary offsets are collected through the Treasury Offset Program.

g By Treasury for Offset. The number and dollar amount of delinquent debt collections realized by Treasury or by a non-Treasury disbursing officer through the offset of a federal payment. Federal payments of benefits, tax refunds, salary, or vendors are subject to offsets.

h By Treasury for Cross-Servicing. The number and the dollar amount of delinquent debt collected by Treasury through its cross-servicing program. Report total collections realized by the Treasury as the result of Cross-Servicing. For example, if the debt is sent to the Treasury and it is collected via a private collection agency or Treasury Offset, report the entire amount of the collection as a Treasury Cross-Servicing collection.

i By Agency. The number and dollar amount of delinquent debt worked and collected at the agency.

j Other. The number and dollar amount of delinquent debt collected by management tools or techniques not represented in lines 1.(A.) through 1.(I.), above. All amounts reported on this line are to be footnoted to identify the collection method used.

(d) Section D: Debt Disposition. This is information on the number and dollar amount of selected categories of written-off delinquent debt. The purpose of requesting the information in this section is to identify the amount of debt which has been

written-off, but on which the agency is still pursuing collection action. The number and amount for line 1 of this section shall be a cumulative number, representing all written-off debt from the current and preceding FYs, on which the agency is continuing to pursue collection action.

1 Currently not Collectible (Written-off and Not Closed Out). The number and dollar amount of receivables that have been written-off (removed from agency accounting records) and not closed out (reported to IRS on form 1099-C). This line should equal the sum of lines 1.(A.) through 1.(D.) of this section.

a At Private Collection Agencies. The number and dollar amount of receivables that have been written-off but are still being pursued for collection by a private collection agency.

b At Treasury or a Designated Debt Collection Center for Cross-Servicing. The number and dollar amount of receivables that have been written-off, but whose collection is being pursued by a Designated Debt Collection Center, including at Treasury for Cross-Servicing.

c At Treasury for Offset. The number and dollar amount of receivables that have been written-off and referred to Treasury to be entered in the Treasury Offset Program delinquent debtor database.

d Other. The number and dollar amount of receivables that have been written-off and not included in lines 1.(A.) through 1.(C.) Amounts reported on this line should be footnoted to explain other circumstances.

2 Reported to Internal Revenue Service (IRS) on Form 1099-C (Written-off and Closed Out). The number and dollar amount of debt that has been reported as income to the IRS on Form 1099-C during the FY. Reporting to IRS always occurs in the 2nd Quarter of the FY (February). For example, if a debt is written-off in March 1999 and the agency decides to terminate all efforts to collect it in June 2000, the debt would be reported to IRS in February 2001, and reported to Treasury FMS on the 2nd quarter 2001 report. Debts reported on this line have been written off and closed-out.

(3) Part III. Footnotes. When footnotes are either required or necessary for clarification, they are prepared, submitted via Internet along with Parts I and II of the report. Footnotes are required whenever agencies' criterion is inconsistent with Treasury's definition of data requirements. Footnotes should be entered in the designated area and referenced to the appropriate line item.

(4) Agency Contact Information. Enter the preparer's name, telephone number, facsimile number, E-mail address and street address and the supervisor's name, telephone number and E-mail address. The Agency name, address, i.e., city, state, and zip code should also be provided.

E. Verification Instructions. All 4th quarter (year-end) Receivable Reports must be verified by the submitting agency's Chief Financial Officer or equivalent. Verification of the Receivables Report means that the report has been reconciled to the agency's Audited Financial Statements and the Federal Agencies Centralized Trial Balance System. Only one verification per agency is to be submitted. Verifications are due to Treasury FMS by March 31st each year for the preceding FY. The verification should state that the information presented in Part I, Section A, Ending Balance line of the "Report on Receivables Due from the Public," Figure 5-3, was reviewed and is reconciled to the receivable balances in the agency's (a) Form and content – Audited Financial Statements, i.e., the Balance Sheet and (b) Federal Agencies Centralized Trial – Balance System (FACTS). If the report is not reconciled to the Balance Sheet and FACTS, the verification should state so, with an explanation as to why verification is not possible. Agencies should disclose the audit opinion of the Financial Statements or any issues regarding the pertinent accounts.

F. Differences Among the Balances Reported. The FMS acknowledges that there will be differences among the balances reported since the Report on Receivables presents the gross book value of receivables as opposed to the net present value presented on the Audited Financial Statements and in FACTS. Note: Report accrued interest on this report the same as it is reported in FACTS and the financial statements, up to 180 days of delinquency. If interest is accrued on debts over 180 days delinquent and included in FACTS submissions and on the financial statements, report it in this report with a footnote. Include in the report all receivables for programs that are administered by the agency. Receivables are reported with the programs that are administered by the agency. Receivables are reported with the program that first generated the receivables unless there was a transfer by book entry to another entity. Agencies are required to verify the Report on Receivables Due from the Public by using the Data Verification Application available on the Internet. Questions concerning the verifications should be directed to:

Debt Management Services
Financial Management Service
Department of the Treasury
Director, Agency Liaison Division
401 14th Street, SW, Room 154
Washington, DC 20227
Telephone Number: (202) 874-7399 or (205) 912-6400

CHAPTER 3

ANNEX 3REIMBURSABLE PROGRAM PRO FORMA ACCOUNTING ENTRIES

A. The United States Government Standard General Ledger (USSGL) accounts used in this section were published in the Treasury Financial Manual (TFM), Section III, released in May 2001 and updated in July 2001. The report formats comply with the Office of Management and Budget (OMB) Draft Form and Content Bulletin distributed in May 2001. The scenarios cover simple reimbursable transactions between two annual year fund accounts. Accounting entries are separately displayed for both the Ordering and Performing entities. Performing entity accounting data have been merged together--they are separate and distinct for this scenario.

B. The transactions illustrate USSGL accounts without applicable attribute values. Therefore, a single transaction listed herein may translate to several similar transactions in an accounting system depending on how many combinations of USSGL accounts and attribute values are valid to record a Department of Defense (DoD) Component's activities. Accounting Offices must post transactions using the 4-digit USSGL at the transaction level and to facilitate necessary DoD reporting.

C. Transactions depicting reimbursable activity shall be balanced with the funding for such activity:

1. If either the ordering entity or the performing entity is operating through an annual expenditure account:

a. The performing entity must reduce unfilled customer orders-with advance and unfilled customer orders-without advance to an amount equal to the obligations incurred against those orders, and,

b. The ordering entity must reduce all undelivered orders-obligations paid and undelivered orders-obligations unpaid to the same amount as the unfilled customer order on the performing entity's books.

2. If both the ordering entity and the performing entity are operating from no-year expenditure accounts, then the adjustments in paragraph C, above, are not required. However, periodic reviews of unfilled customer orders should be conducted in order to prevent improper balances of unfilled customer orders on the performing entity's books and improper balances of undelivered orders on the ordering entity's books. If proper reviews and controls are not implemented, a performing entity could properly obligate against unfilled customer orders yet be unable to expend against those orders because funds have not been collected. If an entity expends more than it has collected, it has violated the Antideficiency Act even if it had the budget authority to make the obligation.

D. Recording Reimbursable Activity. The following transactions apply when recording reimbursable activity:

1. The ordering entity receives an appropriation warrant and Standard Form (SF) 132 Apportionment Schedule for an annual appropriation. The ordering entity head allots funds and records the change in status.

ORDERING ENTITY – Federal

Budgetary

4119 Other Appropriations Realized
4450 Unapportioned Authority
4450 Unapportioned Authority
4510 Apportionments
4510 Apportionments
4610 Allotments – Realized Resources

Proprietary

1010 Fund Balance with Treasury
3101 Unexpended Appropriations - Approp received

2. The performing entity anticipates reimbursable activity and receives an approved SF132 Apportionment Schedule.

PERFORMING ENTITY

Budgetary

4210 Antic Reimbursements and Other Income
4450 Unapportioned Authority
4450 Unapportioned Authority
4590 Apportionments Unavailable – Anticipated Resources

Proprietary

No entry.

NOTE: In reference to spending authority from offsetting collections, OMB Circular A-11 (2000), Section 20.4 states that “ ... Obligations may be incurred against accounts receivable and unpaid, unfilled orders from other Federal accounts, but not from the public.”

3. The ordering entity issues an order to the performing entity and does not provide an advance. The following entries also apply when a performing entity determines that an order cannot be filled for the original estimate and notifies the ordering entity that the cost will increase; the ordering entity may authorize the increase and processes an amendment reflecting the increased cost of the order.

ORDERING ENTITY – Federal
Budgetary

4610 Allotments – Realized Resources

4801 Undelivered Orders – Obligations, Unpaid

Proprietary

No entry.

4. The performing activity accepts the order without an advance.

PERFORMING ENTITY

Budgetary

4221 Unfilled Customer Orders Without Advance

4210 Antic Reimbursements and Other Income

4590 Apportionments Unavailable - Anticipated Resources

4610 Allotments – Realized Resources

Proprietary

No entry.

5. The ordering entity issues an order with the performing entity and provides an advance.

ORDERING ENTITY – Federal

Budgetary

4610 Allotments – Realized Resources

4802 Undelivered Orders – Obligations, Prepaid/Advanced

Proprietary

1410 Advances to Others

1010 Fund Balance with Treasury

6. The performing activity accepts the order (with advance).

PERFORMING ENTITY

Budgetary

4222 Unfilled Customer Orders With Advance

4210 Antic Reimbursements and Other Income

4590 Apportionments Unavail – Anticipated Resources

4610 Allotments – Realized Resources

Proprietary

1010 Fund Balance with Treasury

2310 Advances from Others

7. The performing entity incurs obligations against an order.

PERFORMING ENTITY

Budgetary

4610 Allotments – Realized Resources

4801 Undelivered Orders – Obligations, Unpaid

Proprietary

No entry.

8. The ordering entity receives invoices for obligations not related to the reimbursable orders.

ORDERING ENTITY – Federal

Budgetary

4801 Undelivered Orders – Obligations, Unpaid

4901 Delivered Orders – Obligations, Unpaid

Proprietary

6100 Operating Expenses/Program Costs

2110 Accounts Payable

3107 Unexpended Appropriations - Approp Used

5700 Expended Appropriations

9. The performing entity receives goods for obligations related to reimbursable orders.

PERFORMING ENTITY

Budgetary

4801 Undelivered Orders – Obligations, Unpaid

4901 Delivered Orders – Obligations, Unpaid

Proprietary

6100 Operating Expenses/Program Costs

2110 Accounts Payable

10. The ordering entity receives goods and services and is invoiced (advance not recorded).

ORDERING ENTITY – Federal

Budgetary

4801 Undelivered Orders – Obligations, Unpaid

4901 Delivered Orders – Obligations, Unpaid

Proprietary

6100 Operating Expenses/Program Costs

2110 Accounts Payable

3107 Unexpended Appropriations - Approp Used

5700 Expended Appropriations

Note: The ordering entity debits and credits the 3107/5700 accounting pair since it is using funds appropriated from the general fund. The performing entity does not use the 3107/5700 debit/credit pair since it is using offsetting resources from the reimbursable collections.

11. The performing entity completes work (goods and services) for the ordering entity.

PERFORMING ENTITY

Budgetary

4251 Reimbursements and Other Income Earned - Receivable

4221 Unfilled Customer Orders Without Advance

Proprietary

1310 Accounts Receivable

5100/5200 Rev from Goods Sold/from Services
Provided

12. The ordering entity receives goods and services and is invoiced (advance is recorded).

ORDERING ENTITY – Federal

Budgetary

4802 Undelivered Orders – Obligations, Prepaid/Advanced

4902 Delivered Orders – Obligations, Paid

Proprietary

6100 Operating Expenses/Program Costs

1410 Advances to Others

3107 Unexpended Appropriations - Approp Used

5700 Unexpended Appropriations

13. The performing entity delivers goods and services to the ordering entity and submits an invoice (advance is recorded).

PERFORMING ENTITY

Budgetary

4252 Reimbursements & Other Income Earned – Collected

4222 Unfilled Customer Orders With Advance

Proprietary

2310 Advances from Others

5100/5200 Rev from Goods Sold/from Services Provided

14. The ordering entity pays accounts payable.

ORDERING ENTITY – Federal

Budgetary

4901 Delivered Orders – Obligations, Unpaid

4902 Delivered Orders – Obligations, Paid

Proprietary

2110 Accounts Payable

1010 Fund Balance with Treasury

15. The performing entity records the collection of the receivable

PERFORMING ENTITY

Budgetary

4252 Reimbursements & Other Income Earned – Collected

4251 Reimbursement & Other Income Earned - Receivable

Proprietary

1010 Fund Balance with Treasury

1310 Accounts Receivable

16. The ordering entity and performing entity pay outstanding accounts payable.

ORDERING ENTITY – Federal

Budgetary

4901 Delivered Orders – Obligations, Unpaid

4902 Delivered Orders – Obligations, Paid

Proprietary

2110 Accounts Payable

1010 Fund Balance with Treasury

PERFORMING ENTITY

Budgetary

4901 Delivered Orders – Obligations, Unpaid

4902 Delivered Orders – Obligations, Paid

Proprietary

2110 Accounts Payable

1010 Fund Balance with Treasury

E. Recording Adjusting Transactions for Reimbursable Activity. The following transactions apply when recording adjusting entries for reimbursable activity:

1. As part of year-end preparations, the performing entity determines that it will not incur any additional obligations against outstanding orders prior to year-end. Since all orders with the ordering entity originated from an annual account and the order is held by an annual account, the unfilled customer orders are reduced to equal the associated outstanding obligations and any associated advances are returned. The ordering entity reduces obligations accordingly.

ORDERING ENTITY – Federal
Budgetary

4802 Undelivered Orders – Obligations, Prepaid/Advanced
4801 Undelivered Orders – Obligations, Unpaid
4610 Allotments – Realized Resources

Proprietary

1010 Fund Balance with Treasury
1410 Advances to Others

PERFORMING ENTITY

Budgetary

4610 Allotments – Realized Resources
4221 Unfilled Customer Orders Without Advance
4222 Unfilled Customer Orders With Advance

Proprietary

2310 Advances from Others
1010 Fund Balance with Treasury

2. The performing entity posts adjustments for anticipated orders that were not realized.

ORDERING ENTITY – Federal
Budgetary

No entry.

Proprietary

No entry.

PERFORMING ENTITY

Budgetary

4590 Apportionments Unavailable – Anticipated Resources
4210 Antic Reimbursements and Other Income

Proprietary

No entry.

F. Recording Closing Entries for Reimbursable Activity. The following transactions apply when recording closing entries for reimbursable activity:

1. To record the consolidation of net-funded resources.

ORDERING ENTITY – Federal
Budgetary

4201 Total Actual Resources – Collected
4119 Other Appropriations Realized

Proprietary

No entry.

PERFORMING ENTITY

Budgetary

4201 Total Actual Resources – Collected
4252 Reimbursements & Other Income - Collected

Proprietary

No entry.

2. To record the closing of unobligated balances to expiring authority.

ORDERING ENTITY – Federal
Budgetary

4610 Allotments – Realized Resources
4650 Allotments – Expired Authority

Proprietary

No entry.

PERFORMING ENTITY

Budgetary

No entry.

Proprietary

No entry.

3. To record the closing of Delivered Orders – Obligations, Paid.

ORDERING ENTITY – Federal

Budgetary

4902 Delivered Orders – Obligations, Paid

4201 Total Actual Resources – Collected

Proprietary

No entry.

PERFORMING ENTITY

Budgetary

4902 Delivered Orders – Obligations, Paid

4201 Total Actual Resources – Collected

Proprietary

No entry.

4. To record the closing of revenue, expense and other financing sources to cumulative results of operations.

ORDERING ENTITY – Federal

Budgetary

No entry.

Proprietary

5700 Expended Appropriations

3310 Cum Results

3310 Cum Results

6100 Operating Expenses/Program Costs

PERFORMING ENTITY

Budgetary

No entry.

Proprietary

5100/5200 Revenue from Goods Sold/from Services Provided

3310 Cum Results

3310 Cum Results

6100 Operating Expenses/Program Costs

5. To record the closing of fiscal year activity that increases unexpended appropriations.

ORDERING ENTITY – Federal

Budgetary

No entry.

Proprietary

3101 Unexpended Appropriations - Approps Rcvd

3100 Unexpended Appropriations - Cumulative

3107 Unexpended Appropriations - Approps Used

PERFORMING ENTITY

Budgetary

No entry.

Proprietary

No entry.

G. Closing-out Unsupportable and Uncollectibly Reimbursable Activity. The following transactions apply when reversing receivables that are unsupportable, or invalid, and for closing-out an accounts receivable when determined uncollectible by the Under Secretary of Defense (Comptroller), Component Comptroller or designee:

1. To transfer earned but uncollectible amount from the reimbursable program to the direct program.

PERFORMING ENTITY

Budgetary

4902 Delivered Orders – Obligations, Paid (Reimbursable
Attribute)

4902 Delivered Orders – Obligations, Paid (Direct
Attribute)

Proprietary

5100/5200 Rev from Goods Sold/from Services
Provided

1310 Accounts Receivable

2. To remove the accepted order, which is uncollectible, from the reimbursable program.

PERFORMING ENTITY

Budgetary

4610 Allotments – Realized Resources

4221 Unfilled Customer Orders Without Advance

4222 Unfilled Customer Orders With Advance

Proprietary

No entry.